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Global Payments, Inc. (GPN)

Q2 2019 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to Global Payments 2019 Second Quarter Earnings Conference Call. At this time, all participants are in a listen-only mode. Later, we will open the lines for your questions and answers. [Operator Instructions] And as a reminder, today's conference is being recorded.

At this time, I would like to turn the call over to your host, Vice President, Investor Relations Winnie Smith. Please go ahead.

Winnie Smith

Vice President-Investor Relations, Global Payments, Inc.

Good morning, and welcome to Global Payments second quarter 2019 conference call. Before we begin, I'd like to remind you that some of the comments made by management during today's conference call contain forward-looking statements about expected operating and financial results and the anticipated merger with TSYS, including the strategic rationale and financial benefits of the transaction among other matters.

Forward-looking statements are subject to risks and uncertainties discussed in our SEC filings, including our most recent 10-K and any subsequent filings. These risks and uncertainties could cause actual results to differ materially. We caution you not to place undue reliance on these statements.

Forward-looking statements during this call speak only as of the date of this call and we undertake no obligation to update them. Some of the comments made refer to non-GAAP financial measures such as adjusted net

revenue, adjusted net revenue plus network fees, adjusted operating margin and adjusted earnings per share, which we believe are more reflective of our ongoing performance.

For a full reconciliation of these and other non-GAAP financial measures to the most comparable GAAP measure in accordance with SEC regulations, please see our press release furnished as an exhibit to our Form 8-K filed this morning and our trended financial highlights, both of which are available in the Investor Relations area of our website at www.globalpaymentsinc.com.

Please note that today's presentation is neither an offer itself, a solicitation of an offer to buy securities, or solicitation of a proxy vote. The information discussed today is qualified in its entirety by the registration statement on Form S-4 and joint proxy statement as well as any amendment to those documents that Global Payments and TSYS have filed or may file with the SEC.

Joining me on the call are Jeff Sloan, CEO; and Cameron Bready, Senior Executive Vice President and CFO.

Now I'll turn the call over to Jeff.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Winnie. We are delighted to have delivered double-digit organic growth once again this quarter, driven by strength in our technology-enabled businesses. This performance coupled with outstanding execution across our markets also resulted in adjusted earnings per share growth of 17% and adjusted operating margin expansion of 100 basis points.

This quarter's adjusted net revenue plus network fees growth also marked an acceleration from a terrific first quarter and we produced these results as our team simultaneously advanced our transformational merger with TSYS. These outstanding accomplishments serve as further proof points that the successful execution of our strategic objectives continues to deliver consistent industry-leading financial outcomes.

We are focused on providing innovative payment solutions to our customers across our distinctive distribution channels and diversified geographic footprint. And our partnership with TSYS will significantly enhance the scale and scope of our technology-enabled, software-driven ecosystem globally.

I will provide an update on the significant progress we have made with TSYS in a moment, but first I would like to cover a few of the key milestones we achieved across the three pillars of our strategy this quarter.

Starting with our integrated and vertical markets businesses, we yet again delivered sustained strong organic growth. Our partnered software business performed well, as our new ISV partners are exceeding our expectations and contributed to the mid to high-teens top line growth we delivered in this channel. And a competitive differentiation of our integrated payments technologies continues to drive new wins.

Notably, we signed a new agreement with Togetherworks (sic) [Togetherwork], which provides a management platform for a group of 22 innovative SaaS companies, with solutions that span multiple vertical markets, including fundraising, recreation and fraternal organizations. Togetherworks (sic) [Togetherwork] annual payments volume opportunity is currently \$4 billion and growing, and we look forward to working with our new partners.

As for our own software assets, we also achieved strong results across the portfolio as we leverage our distribution and payments capabilities to scale our leading SaaS solutions in their respective vertical markets.

Starting with ACTIVE Network, booking trends for its core products remain consistent, continuing the solid trends we have recently seen in the business. We were pleased to sign our largest ever international Camp & Class Manager relationship this quarter.

AdvancedMD also had another great result, including its best quarter to-date for referrals to OpenEdge, is our streamlined interface and leading product suite, is driving strong adoption of our payment solution by physician practices.

Turning to SICOM, we successfully deployed our kiosk solution to over 200 Tim Hortons locations in Canada over the last few months, and will roll out to an additional 500 locations by year-end.

We have also started to deploy our kiosks across Burger King franchises in the United States. Our kiosk solution allows restaurants to reduce labor costs, improve order accuracy, and increase sales through marketing and upsell opportunities.

Moving to our e-commerce and omnichannel businesses, we are making significant progress with our new unified commerce platform, or UCP, which provides a single omnichannel payment solution worldwide through one API. Specifically, we made our UCP API available for testing globally at the end of the first quarter, and we just released our new chargeback management API this month.

We are now live with full omnichannel payments across our new infrastructure in Canada and Asia Pacific. We remain on track to complete the rollout of the new platform to all of our global markets by the end of the year. Uniquely positioning Global Payments to seamlessly combine both virtual and physical worlds to serve complex merchant needs. Several of our most sophisticated multinational clients are streamlining their payment operations by integrating to our new platform, and it's already driving new marquee wins.

Specifically, in conjunction with our partner Caixa, we are expanding our relationship with Spanish clothing retailer Desigual across four continents for both in-store and e-commerce payments. Desigual will leverage our new platform to allow their customers to seamlessly shop across channels globally.

Additionally, we are delighted to have recently expanded our relationship with a premier French luxury retailer into more than two dozen markets worldwide. This customer will similarly leverage our platform to meet evolving consumer demand and to simplify and centralize their payment operations.

We're also pleased to have recently reached an agreement to expand our omnichannel partnership with one of Canada's largest retailers into a new online marketplace offering.

Lastly, we've established a new e-commerce win in Asia with Star Cruises. We have a longstanding relationship across Hong Kong, Singapore and Malaysia. And we are excited to expand our partnership beyond the physical point of sale to provide a full omnichannel solution.

Finally, we continue to deliver outstanding results in our faster growth markets. Regarding our newest geographies, we are making excellent progress with HSBC in Mexico since our launch in January 2019. Our leadership team is in place as is our new facility in Mexico City. And we are continuing to ramp our sales and support organizations.

We are already seeing growth accelerate to double-digits organically in this market and remain enthusiastic regarding the long-term opportunities for this business and across Latin America as we bring leading technologies into these new markets.

We also announced the expansion of our joint venture with Erste Bank into its home country of Austria last quarter. And we are now working to scale our business to capitalize on the favorable secular trends in this market by leveraging our distinctive partnership, exactly as we said we would do.

HSBC, Erste and Inbursa, which recently agreed to join Caixa and us as a strategic partner in Brazil, are some of the largest, most complex, and sophisticated financial institutions or FIs globally.

We are proud of the company that we keep. And we could not be more pleased to partner with these leading institutions, highlighting the differentiation, durability and extensibility of our position as the partner of choice to leading multinational FIs.

Turning to our biggest strategic milestone for the quarter, we were delighted to announce our agreement at the end of May to combine with TSYS in a landmark transaction for our industry. This partnership creates the preeminent pure-play payments technology company at scale, focused on SMBs and leading FIs in the most attractive markets globally. The merger accelerates our technology-enabled software-driven payment strategy and positions our merchant business as the leading provider of integrated payments and e-commerce and omnichannel solutions globally.

Further, the addition of the Issuer Solutions dovetails with our strategy, providing mission-critical software and processing services for card-issuing customers worldwide, increasingly in the cloud and on a SaaS basis. This business is ranked number one in market share in the United States, Canada, the United Kingdom, Ireland and China, and number two across Western Europe. No peer has a business at that scale across those markets, which will bear substantially on our revenue synergies.

The combination will also provide us exposure to additional faster growth geographies and enhances our scale and markets overseas where both companies operate today. Combined, we will have a physical presence in nearly 40 countries globally and we'll do business in over 100. The highly complementary nature of these leading payments-focused businesses provides for significant revenue enhancement opportunities. First, inside the United States, we will meaningfully enhance the value proposition for TSYS's customer base of more than 800,000 merchant locations across over 50 vertical markets with our software solutions, analytics capabilities and unified commerce platform.

We will reciprocate by cross-selling TSYS products like Vital POS for retail into Global Payments' merchant base. TSYS will also add more than 500 sales professionals and will more than double our domestic financial institution base of referral partners. In sum, we will have the preeminent U.S. merchant business focused predominantly on SMBs.

Second, outside the United States, the expanded breadth of our combined 1,300 FI partnerships also provides large untapped opportunities for new issuer and merchant referral relationships. TSYS more than doubles our existing FI base globally. And we have already had FIs express interest in our ability to cross-sell issuing into acquiring partnerships as well as a reverse in just the two months since we announced the merger.

It is worth noting that Global Payments is fully operational today in 31 markets outside the United States, something our legacy peers with recent corporate exits lack now and for the foreseeable future. In that context, it

will be quite some time before purchasers of those businesses will be able to effectively cross-sell issuing and acquiring services. As we also mentioned at the time of our transaction announcement, we expect our merger to open further avenues for inorganic growth internationally given our unique positioning.

Third, we believe the combination of our issuing and acquiring businesses globally will enable us to emulate the benefits of debit network ownership technologically without the need to actually own a debit network in any geography, generating superior return opportunities. We will, therefore, be uniquely positioned to develop new products at scale on a worldwide basis, including multinational, domestic and cross-border on us routing; enhance loyalty and analytic schemes, more effective merchant, and issuing joint sales strategies and Strong Customer Authentication, or SCA, approvals internally.

On that last point, we expect our e-commerce businesses to benefit from higher authorization rates via our own proprietary SCA that will be uniquely available to Global Payments.

Fourth and finally, we expect TSYS' consumer solutions business to provide us with new B2B, B2C and P2P capabilities and opportunities in new geographies. As just one use case, we believe we can bring Netspend into new markets based on Global Payments existing acquiring partnerships outside the United States. And, of course, here in the U.S., we expect Netspend's Paycard products to help substantially expand the target addressable markets for Heartland's Payroll Solutions.

As to the merger itself, we've made great progress and are now tracking ahead of our previously announced plans and expect to close the transaction as early as the beginning of the fourth quarter. We also successfully closed on our new credit agreement on July 9, an important milestone in establishing the new capital structure for our combined company.

Our integration planning is underway. And based on preliminary work, we have even more confidence in the expected synergies and accretion targets that we outlined in May. We could not be more excited about the future as we bring together two premier payments companies with strong businesses, management teams and cultures that will generate significant opportunities and long-term value for our employees, customers, partners and shareholders.

Now, I'll turn the call over to Cameron.

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

Thanks, Jeff; and good morning, everyone. We're very pleased to report another quarter of exceptional financial results, driven by our differentiated growth strategy and ongoing relentless focus on execution.

Total company adjusted net revenue plus network fees for the second quarter was \$1.114 billion, reflecting growth of 13% versus the prior-year period. On a constant currency basis, adjusted net revenue plus network fees grew over 15%, once again driven by low-double-digit normalized organic growth.

Adjusted operating margin expanded 100 basis points to 32.4%, and adjusted earnings per share increased 17% to \$1.51. On a constant currency basis, adjusted earnings per share again grew over 20% this quarter.

We're proud of these results and remain encouraged by the momentum we have seen in the business throughout the first half of 2019. We're also pleased with the milestones we've achieved in parallel on our merger with TSYS, which I will cover in a moment after highlighting the performance our team delivered globally.

Starting with North America, adjusted net revenue plus network fees was \$840 million, reflecting growth of 17% over 2018. This included an approximately 50-basis-point headwind from weakness in the Canadian dollar. Adjusted operating margin in North America expanded 160 basis points to 34%, driven by growth in our technology-enabled businesses and continued strong execution across the segment.

Our U.S. direct distribution business once again delivered low-double-digit normalized organic growth in the quarter, led by strength in our integrated and vertical markets businesses, which grew in the low-double-digits organically. We continue to see high-single-digit organic growth in our U.S. relationship-led channel, while our wholesale channel declined mid-teens consistent with our expectations.

Our recent acquisitions AdvancedMD and SICOM contributed approximately \$60 million in the quarter. Our Canadian business grew mid-single-digits in local currency, which was largely offset by headwinds from the Canadian dollar.

Moving to Europe, reported adjusted net revenue plus network fees grew 9% in local currency or 3% on a reported basis, as foreign currency exchange rates remained a significant headwind in the quarter.

Local currency growth was again driven by strength in our businesses in Spain and Central Europe, each of which grew well into the teens. We did see a slowdown in organic growth in the UK this quarter, as the macro-environment further deteriorated with the April Brexit deadline passing without resolution. The decline in consumer spending in the UK accelerated in Q2 versus Q1 and we expect this weakness to persist.

Our e-comm and omni solutions business was another bright spot in Europe, again growing mid-teen this quarter as our unique value proposition, including the new elements of our UCP continues to resonate with customers and drive new wins, such as those highlighted by Jeff earlier.

Adjusted operating margin in Europe expanded 120 basis points to 48.6%, driven by consistent execution and the benefits of increased scale in our Central European business.

Turning to Asia Pacific, reported adjusted net revenue plus network fees grew 7%, or approximately, 11% on a constant currency basis. While we saw strong trends across most of the region consistent with Q1, local currency growth was negatively impacted by the recent protest in Hong Kong, which is our largest market in Asia.

We estimate these protests negatively impacted growth by approximately 200 basis points this quarter. These headwinds and those from the foreign currency exchange rates, as well as our ongoing initiatives to reinvest in the business, adjusted operating margins in Asia, expanded 160 basis points to 33.1% due to continued outstanding execution of our team in the region.

As of the end of the quarter, our leverage was below 3.2 times. During the quarter, we invested approximately \$78 million in capital expenditures and returned approximately \$72 million to shareholders through share repurchase programs, prior to pausing our repurchase program ahead of the announced merger with TSYS.

In connection with our planned combination with TSYS, we successfully closed a new unsecured investment-grade credit agreement earlier this month, consisting of a \$2 billion term loan and a \$3 billion revolving credit facility. This new credit agreement will become effective at the closing of the merger and will replace Global Payments' existing secured credit facilities and TSYS' unsecured revolving credit facility.

Further, the new facilities will also reduce our interest rate, double our revolving credit capacity and extend our maturities. We are delighted with the execution of the new agreement, which creates substantial financial flexibility for the combined new organization. The terms achieved highlight the confidence our bank partners have in the new organization and position us well to continue to pursue our capital allocation strategy going forward.

Moving to our outlook, the momentum in our business that allowed us to exceed our expectations in the first half of 2019 positions us well to achieve our financial objectives for the full year. We are, however, facing incremental pressure from foreign currency and now expect FX to be a more meaningful headwind in the back half of the year. That said, we expect the strong underlying trends we are seeing in the business to offset this impact.

To that end, we continue to expect adjusted net revenue plus network fees to range from \$4.44 billion to \$4.49 billion, reflecting growth of 12% to 13% over 2018. This outlook assumes foreign currency headwinds of approximately 100 basis points in the second half of 2019, which equates to an incremental headwind of roughly 50 basis points for the full year relative to the guidance we provided in May.

In addition, we expect the recent protest in Hong Kong to again be a moderate headwind to growth in Asia in Q3, and that the macroeconomic environment in the UK will continue to be weak for the balance of the year.

Notwithstanding these headwinds, we are increasing our outlook for both margin expansion and adjusted earnings per share. Adjusted operating margin is now expected to expand by up to 90 basis points and we expect adjusted earnings per share in a range of \$6 to \$6.15, reflecting growth of 16% to 18% over 2018.

Please note our outlook does not include the impact of the TSYS merger that we expect to close as early as the beginning of the fourth quarter. We could not be more excited about the opportunities ahead. Together with TSYS, we will focus on delivering distinctive and differentiated payment solutions to customers in the most attractive markets globally. We will leverage our competitive advantages and global leadership position to drive industry-leading top line growth, margin expansion and adjusted earnings per share growth. The future is indeed very bright.

With that, I'll turn the call back over to Jeff.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Cameron. We are delighted with our team's accomplishments in the quarter and the first half of 2019. And our outlook reflects the strength and resiliency of our business model. We are at the forefront of the evolution of our industry, having made significant investments in cutting-edge technologies and defensible and distinctive distribution.

Our transformation over the last six years has driven best-in-class results, not only relative to our legacy peers, but also compared to the card networks, e-commerce providers and other high-tech software and SaaS companies. This outstanding performance is starting to be recognized. And we take great pride in noting that Global Payments was recently highlighted as one of the 10 best-performing stocks in the S&P 500 over the last five years.

And we're the only financial technology company to be so acknowledged. While we are very proud of our past, we are similarly delighted with our future potential. Our merger with TSYS will accelerate that ongoing evolution. And we are here to finalize our partnership in the near term.

Together, we will continue to invest in purely payments innovation and deepen our competitive moat across each element of our strategy. We have the very best employees, providing the very best technologies and experiences to our customers in the very best markets globally.

We are fortunate to be in the position we are in today. This is truly an exciting time to be a part of the new Global Payments. Winnie?

Winnie Smith

Vice President-Investor Relations, Global Payments, Inc.

Before we begin our question-and-answer session, I'd like to ask everyone to limit their question to one with one follow-up to accommodate everyone in the queue. Thank you.

Operator, we will now go to questions.

QUESTION AND ANSWER SECTION

Operator: Certainly. [Operator Instructions] And our first question comes from the line of Andrew Jeffrey from SunTrust. Your question, please?

Andrew Jeffrey

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Hi. Good morning. Appreciate you taking the question. Jeff, I'm intrigued by the comments you made about Togetherworks (sic) [Togetherwork] and your partnership there. I wondered if you could expand a little bit on that. And then, generally, Global's PayFac strategy and positioning in the U.S?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Sure, Andrew. Thank you. I'll start. I'm sure Cameron will add as well. So I would step back and say Togetherworks (sic) [Togetherwork] is yet another example of a recent win in our integrated and vertical markets businesses and particularly in our OpenEdge business. So as we said in our prepared remarks, another mid to high-teens quarter. OpenEdge has probably gone three quarters in a row, whatever it is, with sustained and accelerated growth. And Togetherworks (sic) [Togetherwork] is just the latest example of that.

Now, more specifically on Togetherworks (sic) [Togetherwork], I think the nice thing about that business is really we and they think very similarly about where the world is going that as a cloud-based SaaS company, that is involved in aggregation of smaller payments businesses. I listed some of them in the prepared remarks in the interest of providing more value and volume-based scale economics to those related businesses. Those are areas that touch on things that we think we're already good at. Examples include universities, education stuff, Andrew, that we have a significant role in.

And we're delighted yet another smart, sophisticated buyer chose us as their provider of payment services going forward. I also noted in our prepared remarks that there is about \$4 billion of volume and Togetherworks (sic) [Togetherwork] today growing at a good rate. And we're just getting going, which makes us feel really good about the trajectory going forward. And reminds me a little bit of our calls in February and May, where we talked about Tower Technologies and some of the other folks.

On your second question regarding payment facilitation, prior to TSYS – and I'll come back to post-TSYS in a second, but certainly, prior to TSYS, I think we already have one of the largest payment facilitation businesses in the world. As you know, Andrew, for many, many years going back to the HSBC UK days, PayPal has been a customer of ours in most of the markets, Europe and Asia Pacific in particular around the world for many years.

In fact, I think, in October/November, Cameron, we announced that we've renewed that relationship for another period of years with PayPal. So outside the United States, I think, we have a terrific payment facilitation business. I also noted in my prepared remarks that we just signed off a marquee partner in Canada for more marketplace activities through our unified commerce product offering, which is coming in the immediate term.

So I think in most markets, we've got a great payment facilitation business. What we're very excited about in conjunction with TSYS is the ability to extend that more directly into the United States market, or TSYS through ProPay has a very good facilitation business, and the ability to get access to some of their disbursement-related technologies, think of things like Uber and Lyft and that kind of thing, TSYS, for example, has Mary Kay in the United States markets.

So we really view payment facilitation, Andrew, as something we've been in for a long time and are very good at. But we think TSYS takes its for next logical layer and level, which is to say a complete rounding out of our product suite, particularly here domestically in the United States. And I think as we announced at the time of the merger, we believe we'll have one of the largest e-commerce and omnichannel businesses in the world at about \$900 million estimated revenue, and of course, payment facilitation is a big part of that.

Andrew Jeffrey

Analyst, SunTrust Robinson Humphrey, Inc.

Q

Thank you very much.

Operator: Thank you. Our next question comes from the line of David Togut from Evercore ISI. Your question, please.

David Mark Togut

Analyst, Evercore ISI

Q

Thank you, and good morning. You highlighted a number of new cross-selling opportunities with TSYS and increased conviction in both the revenue synergy and cost synergy target. Is there anything in particular that's driving that increased conviction two months post-deal announcement?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Hey, Dave, it's Jeff. Why don't I start, I know Cameron is going to join in as well. Yeah, what I would say is as we mentioned both in our press release and in our prepared remarks that we've started our preliminary integration work. And as you know, in most deals, you make assumptions about where you think benefits are going to be. And as we've gotten further into our integration work, we certainly feel more strongly about our ability to cross-sell more effectively.

So let me just give you a number of examples for that. Let me start here domestically in the United States with the merchant business. I think Heartland – and we talked about this, Dave, in our last call – has done a fantastic job in the restaurant, vertical market, that's particularly true with Xenial and SICOM. But as we talked about, David, in

May, Heartland Register here in the United States is – and Heartland Restaurant are very significant initiatives. In combination with Xenial, we think have the broadest base of restaurant solutions, hardware and software, front-end, middle-end and back of the house that anyone has in any of our markets worldwide. That is not an area – while restaurants is certainly something that TSYS does in the merchant side, we think we've got fantastic depth of markets to bring those solutions into TSYS.

Conversely, we think TSYS has the same thing in the case of Vital POS, which is focused on retail. Again, a market that we're in, but not in the way that we're in with Heartland Register and Heartland Restaurant. So having spent some time with the TSYS folks and the TSYS merchant folks, in particular post the announcements, we're very excited about the ability to bring Heartland Vital point-of-sale into the Heartland – into the Global Payments base here in the United States.

And secondarily, stepping back, there's no live dialog, which I'm sure you'll appreciate about Strong Customer Authentication, or SCA, particularly in Europe as the September day approaches. So Global Payments today is well-positioned for that date. There's been some conversations, as you know, about having a date roll in over a period of 12 months.

Having said that, though, our thesis going into the partnership announced at the end of May, which is the ability to combine TSYS' issuing business, which has tremendous positioning in the United Kingdom, in Ireland, in Western Europe for purposes of the EU, our ability to combine that issuing business with our acquiring business is a thesis we had going into the announcement for purposes of higher authorization rates now that strong customer authentication is upon us.

And I think the initial reactions from that thesis over the last couple of months, since the deal announcement within the four walls of TSYS and Global Payments have been positive. So I think, David, what I would say is, you have an idea when you head into these things, but the last two months of integration work within the two companies provide us with more conviction on how real those synergies really are in the intermediate term.

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

A

Yeah, and David, it's Cameron. I'll maybe just build on that to talk a little bit on the expense side as well. We continue to believe that there's over \$300 million of expense synergy opportunity by combining the two businesses. And to Jeff's point, the more opportunity we've had to spend with our colleagues at TSYS to explore those opportunities in greater detail, the more conviction we have as it relates to our ability to achieve that target at a minimum. But I would say, more importantly, the more conviction we have regarding the ability to continue to scale margins as a combined business thereafter.

As I said, when we announced the transaction back at the end of May, we're very focused on taking whatever action we're going to take in a relatively quick timeframe, so that we can achieve the expense synergy target we have, position the business on a combined basis to be successful in the marketplace, but really continue to focus on growing and expanding, because we believe we'll have the best rates of top line growth in the industry going forward as a combined company.

That said, we see a long runway for us to continue to scale margins effectively by driving more efficiency in the business over the course of time, even after we achieve that first layer of synergy that we're targeting for the business at that over \$300 million level. So I'm particularly excited about the ability to drive margin expansion in the business at very attractive rates for a long period of time, really through the benefits of increased scale and increased economies of scope in terms of how we operate globally.

David Mark Togut

Analyst, Evercore ISI

Q

Thank you. Just as a quick follow-up, Jeff, you announced a number of new and ongoing initiatives in Europe, and you're really the only merchant acquirer that has had high growth in bank JVs in Europe. How are you thinking about expansion of bank JVs into new countries in Europe? You mentioned Erste in Austria, let's say, versus inorganic growth opportunities in Europe.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Hey. Yeah, David, I think there's a little bit of both there. Let's start with the bank JVs. I certainly think that while we've always been pursuing bank JVs in all of our geographies, I certainly think that the partnership with TSYS positions us better than anybody else going forward. I think to have a core strategic products of issuing combined with acquiring in those markets is absolutely critical to where, I think, that business is evolving over a period of time. That also ties into the inorganic point. As we've mentioned before, there are many transactions we look at around the world, but especially, for these purposes in Europe that have issuing elements and acquiring elements, and historically, Global Payments would look at those and say, I'm good at the acquiring, but I don't really have an issuing scale presence to marry up with the issuing assets in those targets.

TSYS, of course, would do the same thing. They would look at those businesses in Europe, and they would say, we're delighted with the issuing opportunities, but we're not in acquiring outside the United States. So certainly, as I think about organic but also inorganic opportunities in Europe, the combination of issuing and acquiring I think may puts us in an unrivaled position relative to really anybody else to be a strategic partner to those assets.

And I'd say, both companies have a long history of durable, extensible bank partnerships worldwide. As I mentioned in my prepared remarks, on a combination of TSYS and Global Payments results in a sophisticated financial institution base of 1,300 FIs around the world. And I would tell you that the durability and extensibility of those partnerships is unmatched relative to all of our direct peers.

David Mark Togut

Analyst, Evercore ISI

Q

Thanks so much and congrats on the strong results.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, David.

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

A

Thanks, Dave.

Operator: Thank you. Our next question comes from the line of Bryan Keane from Deutsche Bank. Your question, please.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Q

Hi, guys. Wanted just to ask about the UK slowdown. We've heard Visa make similar comments. Can you just maybe quantify the impact you guys – maybe percentage of exposure? And then, Jeff, you did touch on SCA, just your latest thoughts there. Do you think that will also weigh on European results as that goes through regulation over the next 12 months?

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

A

Hey, Bryan, it's Cameron. I'll kick it off and then maybe turn it over to Jeff on the SCA side. So as it relates to the UK market, as I said in my prepared remarks, we did see consumer spending slow down in the second quarter relative to Q1. If you look at Visa data, which I think reflects, I think fairly accurately, what we're seeing in the marketplace, I think, consumer spending declined in the first half of the year, something like 1.1%, 1.2%, something in that range.

So we're obviously seeing the impacts of Brexit sort of manifest themselves in consumer confidence in the market. We continue to grow in local currency in the UK. So we're certainly pleased about that. We continue our trend of growing above the rate of market growth, in the UK. But obviously it's not at the same level that we had been growing in the 2018 timeframe or even in Q1 for that matter.

The UK for us today, as you know, on a pro forma basis, for TSYS is probably 4% to 5% of the market – of the company, excuse me, as a revenue matter. So it's not a particularly big exposure for us going forward. But I think we continue to be well-positioned in Europe overall. As I commented on in my prepared remarks, Europe overall grew at our targeted rate of growth. Again, we're well-diversified across the continent. The trends that we're seeing in the UK really haven't, I'd say, infected the rest of Europe.

And our cross-border business in Europe, for e-comm and omni remains never strong, a tailwind for our growth in the overall region. So I think we're well-positioned in the region. And we're obviously prepared to ride through the choppiness in the UK market that we expect for the foreseeable future.

I'll ask Jeff maybe to comment on the SCA question that you asked.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, sure. So the only thing I would add to what Cameron said on the UK is we probably have one of the best new sales periods in the first half of 2019, with new sales in the UK for us up a very significant percentage, well in excess of our historical numbers the last number of years, year-over-year. So as Cameron said, we like our positioning there. And the rest of Europe seems to be separate in terms of its economic growth. You can see that reflected in our numbers.

On SCA, I think Visa said the same thing, Bryan, that the regulators I think smartly even though the rule becomes effective in September of 2019, have provided some guidance that as long as people continue to make progress, that that will be rolled out really over a 12-month period from September of 2019, I suppose, through September of 2020. So I think that will be less of an issue than it otherwise might have been.

Speaking for Global Payments, I would say, we're really well-prepared. So I think the way to think about it is, not so much how Visa is doing or Mastercard or Global Payments, but instead, really small the bank issuers and the small merchants and the tertiary gateways and the like, I think that's the area of particular focus. It's not something that we're altering our view on as it relates to what our e-commerce and omnichannel business is going to grow at for the remainder as of the year. As Cameron just finished saying, that business is coming off of

a really good – another really good quarter into the mid-teens, consistent with the performance that we've seen over the last three or four years.

So certainly, it's something we're focused on. We think we're ready for it. I would say that over the next 12 months, particularly since TSYS, we're close a bit earlier now. We're in a unique position. I really mean unique. Because the presence of TSYS on the issuing side in the United Kingdom, in Western Europe, in Ireland with the business that they have marrying that issuing solution presence with the acquiring solution that Global Payments has in those markets will allow us, as I said in my prepared remarks, to affect our own unique and private SCA solution.

So our ability to avoid any issues, but importantly, our ability to avoid – sorry, to provide value-added services to our customers by keeping SCA authorizations within the four walls of Global Payments and TSYS is a unique value proposition that we're going to have over the next 12 months as that will ultimately become effective. So to be honest, Bryan, I actually think it speaks to our strengths and further positions Global Payments and TSYS as the partner of choice to merchants and financial institutions and really nobody else has that if you think about the nature of their businesses.

Bryan C. Keane

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Helpful. Solid results. Thanks.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thank you.

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

A

Thanks, Bryan.

Operator: Thank you. Our next question comes from the line of Glenn Greene from Oppenheimer. Your question, please.

Glenn Greene

Analyst, Oppenheimer & Co. Inc.

Q

Thanks. Good morning. Congrats on results.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Glenn.

Glenn Greene

Analyst, Oppenheimer & Co. Inc.

Q

I guess, the first question, Jeff, in your prepared comments talking about the revenue synergy opportunities, you talked about the debit opportunity, which sounded somewhat – it's different from what I've heard before, but maybe you could just elaborate on what you math and the key opportunities there?

And then, the follow-up question would be, capital allocation thoughts once the deal closes given your significantly improved capital position actually, and your strong currency, stock currency. So I'm just thinking about your priorities in terms of doing larger software deals versus international bank JVs and just thoughts on capital allocation post the deal.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Sure, Glenn. I'll start in the first line, I know Cameron will address the second question. So on the first one, and listen, I think our philosophy on marrying issuing with acquiring and not needing a gateway to do it is not all that unique to us and not all that new to us. I think it's similar to what we said in May. So some of the examples I gave, I just finished talking to Bryan in response to Bryan's question about strong customer authentication, our ability to validate as a fraud matter, those transactions without having to go outside the four walls of Global Payments and TSYS is unique to us. And that's one of the things that I meant when I talked about marrying issuing with acquiring.

The difference with us, Glenn, versus everybody else is, we don't need to own a debit gateway to do it. Instead, we do it technologically. So if you look at the construct of new Fiserv or a new Fidelity, the way they get at this – and by the way, they only get at in one market, i.e., the United States. And the reason for that is that's where those debit gateways are physically present. So number one, we don't actually need to own a gateway and compete with the power brands who are very good at doing that in order to affect the solutions that I'm describing. Instead, we do it technologically.

Hence, the source of my commentary about providing superior return capabilities for our shareholders and for our customers, because we actually do it through tech. We don't actually need to own an underlying processing in its own right. So in that instance and that's what I was referring to, Glenn, that is distinctive, number one.

Number two, we can do this globally, putting aside how we do it, because of the presence that TSYS has in North America, in Asia, and in particular, for these purposes in Europe, as it relates to things like Strong Customer Authentication, we can emulate a lot of the value that's provided by the networks by doing within the four walls of Global Payments and TSYS globally.

If you think about new Fiserv, new Fidelity, those are only based in the United States for purposes of debit services and gateway services. So I think we'll have a double advantage. Number one, I think it's a better mousetrap as it relates to construction of a solution. And number two, it's worldwide in scope, particularly in markets like the European Union where SCA is already upon us. And that's really what I was trying to refer to.

Cameron, you want to address this?

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

A

Yeah, Glenn, on capital allocation, so just a couple of comments, maybe to kick it off, first of all, you're right in terms of how the combined business will be positioned upon closing. We expect to be roughly 2.5 times levered on a pro forma basis. We expect to have an investment-grade balance sheet, generate in the neighborhood of \$3.5 billion a year of EBITDA on a pro forma basis. And \$2.5 billion of free cash flow, again on a pro forma basis.

So very well-positioned as it relates to the – I think scale and financial flexibility that combined business is going to have to continue to pursue, its capital allocation priorities.

I would say, however, our first and foremost priority upon closing the transaction is going to be to ensure that the combined business is coming together. That we're well-positioned as to go-to-market strategy that integration is going smoothly, and that we're executing on and delivering on the commitments that we've made as part of the merger with TSYS.

However, obviously, as time passes, we're going to have a lot of capacity to continue to pursue that disciplined capital allocation strategy that we have historically. And I think you should expect that it's going to be focused on many of the same things that we have been focused on historically.

Obviously, we're very bullish of our software-driven payment strategy. So clearly, adding more vertical software businesses that fit the TSYS, that have the right nexus between obviously, SaaS software components and nexus with payments that allows us to grow both the software side of the business and the payment opportunity and to monetize that effectively as a combined business will be a core part of the capital allocation strategy.

I think to Jeff's point earlier, we do continue to see opportunities, particularly with our new issuing capabilities to combine those, with acquiring capabilities to pursue additional joint ventures and acquisitions outside of the U.S. particularly in Europe and LATAM, for example, where we think those capabilities would be distinctive in terms of our ability to compete for our assets in those markets.

And obviously, that will continue to be part of the capital allocation strategy as well. And then, lastly, I would say, I want to reemphasize our commitment to maintaining the investment-grade balance sheet going forward. Obviously, that is something that as a combined company we'll pride ourselves on having. And we certainly remain committed to maintaining that going forward, and maintaining leverage at a level that will support that investment-grade balance sheet.

But that being said, we obviously will have ample capacity, I think, to pursue a capital allocation strategy that allows us to effectively do the things we've been doing now for the last five to six years in terms of growing and expanding the business globally.

Glenn Greene

Analyst, Oppenheimer & Co. Inc.

Okay. Thank you.

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Glenn.

A

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

Thanks, Glenn.

A

Operator: Thank you. Our next question comes from the line of Ashwin Shirvaikar from Citi. Your question, please.

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Hi. Thanks. Hi Jeff, hi Cameron.

Q

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

Hi, Ashwin.

A

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Hey, good stuff here. I want to start with asking, you highlighted, Jeff, the multinational and expanding relationships with HSBC, Caixa, Erste, so just stressing on the complexity and scale of these, clearly linking this to the opportunity as it relates to TSYS. The question is, knowing how large single additional one of these sorts of relationships can become, it would seem to eclipse the revenue synergy target you have.

Q

So what's your interest level in mining this opportunity immediately? Is that really factored in? I do want to get a sense of prioritization where this particular opportunity fits for you?

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Yeah. It's a great question, Ashwin. I would say, just to be honest, the revenue synergies – the lowest hanging fruits right here in the United States with the merchant business. So I gave you two examples in response to – I think David's question earlier this morning. So if you just look at the area of most direct overlaps here in the United States in merchant, there are approximate services that TSYS has and I gave Vital POS as an example Aloha NCR certifications would be another one. That Global Payments in Heartland are not as well-positioned in today.

A

Conversely, there are things that Heartland has at Heartland Register, there are things that OpenEdge has in our 70 vertical markets with OpenEdge that TSYS doesn't have today directly or has it in complementary fashion. So as it relates to revenue enhancement acceleration, there's a lot of low-hanging fruit right here. I would also add on the complexity that you just referred to as it relates to those multinational FI partners. There's a lot of overlap and a lot of ability to – from a product – from a technology point of view to drive incremental revenue right here in the immediate term.

I think Cameron was alluding to this when he talked about a lot of the things being front-end loaded rather than more traditionally kind of middle and back end as you might see in other transactions. So I think that's the area that's right down the middle play.

Now if you step back further to your point and you say, well, what else can we do? So one example would be – and Global Payments is doing this already, but TSYS is absolutely going to help immediately is we're already out pitching, you saw the stuff in the newspaper coming out of large FIs here domestically have said, we don't think we have the ability to sell cross-border multinational e-comm and omnichannel corporate customers at the banks that we like to have today.

So here's an example of large MMCs where Global Payments is already pitching this stuff today with our unified commerce platform that I talked about at the beginning of my remarks. While there's no doubt whatsoever in my mind and that's a straight sales pitch. [ph] There's no doubt (49:21) in my mind that TSYS helps accelerate that strategy immediately.

So TSYS is going to provide additional avenues into more multinational FIs that we don't have, and that's a sales pitch that we're already executing on today. So I would say notwithstanding the complexity of some of the folks

that you just mentioned, there's no doubt in my mind that there are immediate opportunities to help accelerate revenue enhancement in addition to some elements of the merchant business.

The last thing I'd point out on the same TSYS side and I think it's immediate to – maybe immediate to medium-term area is the Netspend. So I want to make sure we just cut that, which is to say that there are merchant business at TSYS and their Netspend business at TSYS is a U.S.-only business today for historical reasons. Cameron and I were in a number of markets over the last number of months, there's no reason that many of those businesses – merchant we do overseas, but let's just take Netspend for this example, there's no reason that business can exist in markets outside the United States.

So certainly, with our footprint, with the combined company's scale and scope, our ability to bring Netspend on prepaid to markets outside the United States is something we're very optimistic about. And by the way, that's not a two-year undertaking, that's something I expect to see happen in the next 12 months.

So I think very different than some of the other transactions that have been announced, the really – the fair amount of confidence in our near-term ability to affect many of the strategic things on the revenue enhancement side that we've described.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

And, Ashwin, maybe just to build on that a little bit further, as we think about the revenue synergy potential in the business, all the things that Jeff described, I generally think about as organic things that we can do or start to do day one as a combined company.

To your point, given the new capabilities that we'll have with TSYS combined with our existing acquiring capabilities particularly outside of the U.S., the opportunity to leverage that into additional markets or additional joint venture opportunities that may require some level of investment, I really think of that as incremental frankly on top of the revenue synergies that we've targeted, generally because there's investment that's going to go behind the need or the ability to expand into a new market, or to establish a new joint venture as we have historically.

So to your point, to the extent that we're able to do that, yeah, on the top line that may eclipse the overall revenue target that we've established as part of the deal, but I really think about that as being largely incremental to – toward the organic opportunities that Jeff highlighted in his prepared remarks, and then again obviously in his response to your question.

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Q

Got it. Understood. Thank you for that. And then, the follow-up is on the earnings themselves, you quantified the incremental FX impact on revenues, but you're also absorbing an impact on margins while still raising margin guidance. Can you comment on what – so what you're absorbing from a margin standpoint?

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

A

Yeah. It's a good question, Ashwin. So I would say for the full year, I expect currency to be anywhere between a 20-basis-point to 30-basis-point headwind on margin and probably 400-ish basis points on the bottom line. So, yes, we quantified it as a top line basis, largely because again we've maintained the current revenue guide, which

really is a function of the incremental revenue headwinds from foreign currency offsetting the strong momentum kind of we have in the business.

So we still feel good about the overall revenue target. But obviously, the execution we've been able to achieve over the course of the year feels – positions us well to achieve an increase in our overall expectations around margin expansion and earnings per share for the full year. So the way I generally think about it is, the earnings guide is 16% to 18%. Interestingly, that's our – roughly our cycle guidance in terms of our earnings target growth, but that's absorbing probably 300 basis points to 400 basis points of currency in earnings. So really, on a constant currency basis, that's north of 20%, which I think is a really strong number as an earnings matter for the business.

Ashwin Vasant Shirvaikar

Analyst, Citigroup Global Markets, Inc.

Got it. Thank you.

Q

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

Thanks, Ashwin.

A

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

Thanks, Ashwin.

A

Operator: Thank you. Our next question comes from the line of David Koning from Baird. Your question please.

David J. Koning

Analyst, Robert W. Baird & Co., Inc.

Yeah. Hey, guys. Thank you. And I guess, my first question, North America it looked to us like on an organic constant currency basis accelerated maybe 1.5% to the strongest it's been in about two years. I think we had about 9.5% organic constant currency. And I know that's a function of wholesale keeps getting smaller, Canada was good and U.S. direct is good. I'm wondering you actually hit easier comps in the back half, is that type of growth sustainable? And is U.S. direct – I mean, it's obviously taking share within your North America segment, but is that strong level pretty sustainable and maybe even accelerating in the back half?

Q

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

Yeah. Dave, it's Cameron. So I think your math is pretty good, to be honest with you. I've got North America normalized constant currency growth in the quarter of about 9.5%, pretty close to what you suggested, and ex-wholesale that's almost a point higher. So closer to 10.5%, which is really at the high end of our cycle guidance.

A

So obviously, the U.S. direct business is north of that, which again reflects continued very strong performance across our integrated and vertical market channel as well as our relationship channel continues to perform really well. So I think the short answer to your question is, yes, the back half expectations sitting here today is that those trends persist around those same levels.

I think we feel good about the momentum we have in the business. And notwithstanding, the incremental currency headwinds we're absorbing in revenue, the way we're really offsetting that is strength in the North America

business, and more particular strength in the U.S. direct channels that continue to help us absorb incremental FX in regions outside of the U.S.

So the long and short of it is, yes, the expectation for the balance of the year is that this level of performance in the North America business persists. And we continue to feel good about the momentum that we have as we enter into Q3 and Q4 as a revenue matter.

David J. Koning

Analyst, Robert W. Baird & Co., Inc.

Q

Great. Thanks. And I guess, just a one follow-up. It looked like free cash flow in the first half was a little lighter than normal. Does that mean you get a big catch-up in the back half and have just a ton of free cash flow kind of to use for buybacks or whatever else in the back half?

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

A

Yeah. And I would look at it ex the timing items that we sort of highlighted on the schedule. Because I think that's the best representation of really cash that's in the business and available for us. And it's tracking close to \$0.5 billion for the first half. So we're on target for the \$1 billion target we have for the full year. There's a lot of noise in the sort of timing items, some of it is split between reduction in liabilities. But it's coming out of restricted cash, because we're holding customer cash that then rolls out in the next quarter.

So the best way to look at it is sort of ex the timing items. The way that we've highlighted on the trended financial statement, that's really the cash that's in the business and available for us to utilize.

David J. Koning

Analyst, Robert W. Baird & Co., Inc.

Q

Great. Thanks, guys. Good job.

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

A

All right. Thanks, Dave.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks.

Operator: Thank you. And our final question comes from the line of Steven Kwok from KBW. Your question please.

Steven Kwok

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Hey, guys. Good quarter and thanks for squeezing me in. Just two quick questions, just one around the U.S. wholesale market. It improved a little bit. But I believe TSYS has a little bit of the wholesale market as well. What's your thought on that?

Is that going to be a bit of a runoff as you integrate TSYS as well? And then, second question is just around the interest rate environment given the outlook for lower rates. Is there any further potential to lower your debt cost? Thanks.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Yeah, Steven, it's Jeff. I'll start on the U.S. wholesale. I'm sure Cameron will comment on the rate question. So what I would say is if you back up and you look at how we think about it, when I came to Global Payments, the U.S. wholesale business was probably 50%, if not more of the U.S. business, number one.

Number two, we also lacked – in addition to math, we also lacked the diversity of distribution. So with the exception of our gaming business, with the exception of APT when we bought it in 2012, we didn't really have a lot of direct sales in the United States, away from the wholesale business.

I think those two things really drove the strategy that we've been talking about for the last four or five years, which is to say an emphasis of the direct business and less of an emphasis on the wholesale business. We're no longer in that position. So we have plenty of direct distribution. On a combined basis, with TSYS the wholesale business is probably about 5% of the combined company. But probably most importantly, Steven, we have a lot of direct distribution at Global Payments and certainly at TSYS.

So, no, I don't think about it the same way as I thought about it six or seven years ago, because those two issues we have that predominate Global Payments when I got here, which is to say, lack of diversity of distribution and concentration are not issues that Global Payments has today. But especially, for these purposes, they're not issues that TSYS and Global Payments will have. So I certainly think we feel very differently about that. I'd also add in there that Global Payments historically going back six or seven years ago had a lot of concentration among very few customers in the ISO business, TSYS doesn't have that, either.

So I think going forward, it's a much better mousetrap overall with the combined companies. And I don't think we're going to approach it the same way. Rather, I think we'd look at it openly, and think about what's the best thing for the combined business.

Cameron M. Bready

Chief Financial Officer & Senior Executive Vice President, Global Payments, Inc.

A

And, Steven, on your rate question, I would start by saying, of course, it's not lost on us that we are in a very attractive rate environment in general. And I'll start with the credit agreement that we executed earlier in July. We were delighted with the outcome of that. We priced our revolving credit facility in Term Loan A, given our expected credit rating and LIBOR plus 137.5 basis points, which is obviously an improvement over where our pricing is today and interestingly where TSYS is as well.

So we feel good about having gotten that aspect of the permanent capital structure in place at very attractive terms. The remaining aspect of the capital structure that we need to put in place prior to closing is really an expectation around \$2.5 billion of senior note offering that we expect to execute here over the coming months as we lead up to closing of the transaction. And naturally, to your point, we recognize that the rate environment in which to get that done is pretty attractive for us today.

We also recognize that given the mix of the business geographically, particularly overseas, there could potentially be opportunities for us to take advantage of even a lower rate environment in the UK and Europe that would allow us to lower the overall cost of debt for the pro forma business as well.

So more to come on that as we continue to execute against our plans to establish the permanent capital structure for the combined business between now and close. But I would say, certainly, the rate environment that we're seeing and the execution we've been able to achieve thus far, gives us a lot of confidence that there's some potential upside as it relates to the accretion expectations we have for the transaction on the yields of better than expected financing rates.

Steven Kwok

Analyst, Keefe, Bruyette & Woods, Inc.

Q

Great. Thanks for taking my questions.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

A

Thanks, Steven.

Jeffrey Steven Sloan

Chief Executive Officer & Director, Global Payments, Inc.

On behalf of Global Payments, thank you very much for your interest in our company. And thank you for joining our call this morning.

Operator: Thank you, ladies and gentlemen, for your participation in today's conference. This does conclude the program. You may now disconnect. Good day.

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