

A large, light gray, stylized '@' symbol is positioned on the left side of the slide, partially overlapping the text area.

# Second Quarter 2018 Financial Results Conference Call

---

July 31, 2018

# Forward-Looking Statements and Non-GAAP Financial Measures

The information disclosed in this presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated “internal revenue growth,” “adjusted EPS,” “adjusted EPS growth,” “free cash flow conversion,” and “adjusted operating margin expansion.” Statements can generally be identified as forward-looking because they include words such as “believes,” “anticipates,” “expects,” “could,” “should” or words of similar meaning. Statements that describe the company’s future plans, objectives or goals are also forward-looking statements. Forward-looking statements are subject to assumptions, risks and uncertainties that may cause actual results to differ materially from those contemplated by such forward-looking statements.

The factors that may affect the company’s results include, among others: pricing and other actions by competitors; the capacity of the company’s technology to keep pace with a rapidly evolving marketplace; the impact of a security breach or operational failure on the company’s business; the effect of legislative and regulatory actions in the United States and internationally; the company’s ability to comply with government regulations; the company’s ability to successfully identify, complete and integrate acquisitions, and to realize the anticipated benefits associated with the same; the impact of the company’s strategic initiatives; the impact of market and economic conditions on the financial services industry; and other factors included in the company’s filings with the SEC, including its Annual Report on Form 10-K for the year ended December 31, 2017, and in other documents that the company files with the SEC. You should consider these factors carefully in evaluating forward-looking statements and are cautioned not to place undue reliance on such statements. The company assumes no obligation to update any forward-looking statements, which speak only as of the date of this presentation.

This presentation includes the following non-GAAP financial measures: “adjusted revenue,” “internal revenue,” “adjusted operating income,” “adjusted operating margin,” “adjusted EPS,” “adjusted EPS, before Lending Transaction impact,” “adjusted EPS, as adjusted for the Lending Transaction,” “adjusted net income,” “adjusted net income, before Lending Transaction impact,” “free cash flow” and “free cash flow conversion.” These non-GAAP measures are indicators that management uses to provide additional comparisons between current results and prior reported results and as a basis for planning and forecasting future periods. We believe that these measures provide additional insight into our operating performance. Additional information about these measures and reconciliations to the nearest GAAP financial measures, to the extent available, are provided in the appendix to this presentation.

# 2Q-18 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
2Q-18	\$1,354	\$1,327	\$0.75
2Q-17	\$1,323	\$1,252	\$0.57
Change	2%	6%	32%

\$ in millions, except per share amounts. In the first quarter of 2018, the company completed a two-for-one stock split. Accordingly, all share and per share amounts are presented on a split-adjusted basis.

See appendix for information regarding non-GAAP measures.

# YTD-18 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
YTD-18	\$2,722	\$2,623	\$1.51
YTD-17	\$2,643	\$2,508	\$1.19
Change	3%	5%	27%

\$ in millions, except per share amounts. In the first quarter of 2018, the company completed a two-for-one stock split. Accordingly, all share and per share amounts are presented on a split-adjusted basis.

See appendix for information regarding non-GAAP measures.

# Other Financial Metrics

	Free Cash Flow Conversion	Adjusted Operating Margin
YTD-18	78%	32.5%
YTD-17	105%	32.3%
Change <sup>1</sup>	(27%)	20 bps

See appendix for information regarding non-GAAP measures.

<sup>1</sup>Free cash flow conversion change represents the change in percentage points.

# Internal Revenue Growth by Segment

Segment	2Q-18	YTD-18
Payments	5%	5%
Financial	7%	4%
<hr/>		
Total Company	6%	5%

See appendix for information regarding non-GAAP measures.

# 2Q-18 Adjusted Operating Margin

Segment	2Q-18	2Q-17	Change (bps)
Payments	35.0%	33.3%	170
Financial	34.0%	34.3%	(30)
<hr/>			
Total Company	32.4%	32.0%	40

See appendix for information regarding non-GAAP measures.

# YTD-18 Adjusted Operating Margin

Segment	YTD-18	YTD-17	Change (bps)
Payments	35.2%	34.7%	50
Financial	33.4%	33.0%	40
<hr/>			
Total Company	32.5%	32.3%	20

See appendix for information regarding non-GAAP measures.



# 2018 Performance Outlook

## Key Financial Metrics

## Growth

Internal Revenue

> 4.5%

Adjusted EPS<sup>1</sup>

22 - 27%

## Other Financial Metrics

## Target

Free Cash Flow Conversion

106 - 111%

Adjusted Operating Margin Expansion

10 - 30 bps

<sup>1</sup>Reflects performance as compared to 2017 adjusted for the company's sale of a 55 percent interest of its Lending Solutions business. See page 13 for more information.



# Appendix

# Internal Revenue Growth

Internal revenue growth is measured as the increase in adjusted revenue for the current period excluding acquired revenue and revenue attributable to dispositions, divided by adjusted revenue from the prior year period excluding revenue attributable to dispositions. Revenue attributable to dispositions includes transition services revenue within Corporate and Other.

In the second quarter of 2018, acquired revenue was \$17 million (\$16 million in the Payments segment and \$1 million in the Financial segment). Revenue attributable to dispositions was \$10 million (all in Corporate and Other) and \$71 million (all in the Financial segment) in the second quarter of 2018 and 2017, respectively, primarily from the sale of a 55 percent interest of the company's Lending Solutions business (the "Lending Transaction").

During the first six months of 2018, acquired revenue was \$35 million (\$33 million in the Payments segment and \$2 million in the Financial segment). Revenue attributable to dispositions was \$64 million (\$54 million in the Financial segment and \$10 million in Corporate and Other) and \$135 million (all in the Financial segment) in the first six months of 2018 and 2017, respectively, primarily from the Lending Transaction.

See page 2 for information regarding non-GAAP financial measures.

# Adjusted EPS

	<u>2Q-18</u>	<u>2Q-17</u>	<u>YTD-18</u>	<u>YTD-17</u>
GAAP EPS	\$ 0.60	\$ 0.51	\$ 1.61	\$ 1.08
Adjustments - net of income taxes:				
Merger, integration and other costs <sup>1</sup>	0.05	0.02	0.10	0.04
Severance costs	0.01	0.01	0.02	0.03
Amortization of acquisition-related intangible assets	0.08	0.06	0.15	0.12
(Gain) loss on sale of businesses <sup>2</sup>	0.01	(0.01)	(0.36)	(0.01)
StoneRiver transactions <sup>3</sup>	—	—	—	(0.04)
Adjusted EPS, before Lending Transaction impact	<u>0.75</u>	<u>0.59</u>	<u>1.51</u>	<u>1.22</u>
Lending Transaction impact <sup>4</sup>	—	(0.03)	—	(0.02)
Adjusted EPS	<u>\$ 0.75</u>	<u>\$ 0.57</u>	<u>\$ 1.51</u>	<u>\$ 1.19</u>

Earnings per share is calculated using actual, unrounded amounts. In the first quarter of 2018, the company completed a two-for-one stock split. Accordingly, all share and per share amounts are presented on a split-adjusted basis.

See page 2 for information regarding non-GAAP financial measures.

<sup>1</sup>Merger, integration and other costs include acquisition and related integration costs of \$29 million in 2018 and \$13 million in 2017, and certain costs associated with the achievement of the company's operational effectiveness objectives of \$23 million in 2018 and \$16 million in 2017, primarily consisting of expenses related to data center consolidation activities.

<sup>2</sup>Represents the (gain) loss on the Lending Transaction in 2018 and the sale of the company's Australian item processing business in 2017.

<sup>3</sup>Represents the company's share of the net gains on the sales of businesses at StoneRiver Group, L.P., a joint venture in which the company owns a 49 percent interest.

<sup>4</sup>Represents the earnings attributable to the disposed 55 percent interest of the company's Lending Solutions business.

# 2017 Adjusted EPS Reconciliation for the Lending Transaction

2017 GAAP income from continuing operations	\$	1,232
Adjustments:		
Merger, integration and other costs <sup>1</sup>		74
Severance costs		24
Amortization of acquisition-related intangible assets		159
Tax impact of adjustments <sup>2</sup>		(85)
Gain on sale of business <sup>3</sup>		(10)
Tax impact of gain on sale of business <sup>2</sup>		5
StoneRiver transactions <sup>4</sup>		(32)
Tax impact of StoneRiver transactions <sup>2</sup>		11
Tax benefit <sup>5</sup>		(275)
2017 adjusted net income	<u>\$</u>	<u>1,103</u>
2017 GAAP EPS - continuing operations	\$	2.86
Adjustments		(0.30)
2017 adjusted EPS		<u>2.56</u>
Lending Transaction impact		(0.08)
2017 adjusted EPS, as adjusted for the Lending Transaction	<u>\$</u>	<u>2.48</u>
2018 adjusted EPS outlook		\$3.02 - \$3.15
2018 adjusted EPS growth outlook		22% - 27%

In March 2018, the company completed the Lending Transaction. In addition, the company completed a two-for-one stock split in the first quarter of 2018. Accordingly, all share and per share amounts are presented on a split-adjusted basis.

\$ in millions, except per share amounts. Earnings per share is calculated using actual, unrounded amounts. See page 2 for information regarding non-GAAP financial measures.

<sup>1</sup>Merger, integration and other costs include acquisition and related integration costs of \$47 million and certain costs associated with the achievement of the company's operational effectiveness objectives of \$27 million, including expenses related to data center consolidation activities.

<sup>2</sup>The tax impact of adjustments is calculated using a tax rate of 33 percent, which approximates the company's annual effective tax rate in 2017, exclusive of discrete income tax benefits associated with The Tax Cuts and Jobs Act and the actual tax impacts associated with StoneRiver transactions and the gain on sale of business.

<sup>3</sup>Represents the gain on the sale of the company's Australian item processing business.

<sup>4</sup>Represents the company's share of net gains on the disposition of a business at StoneRiver Group, L.P., a joint venture in which the company owns a 49 percent interest.

<sup>5</sup>Represents discrete income tax benefits associated with The Tax Cuts and Jobs Act enacted in December 2017.

# Adjusted Net Income

	<u>2Q-18</u>	<u>2Q-17</u>	<u>YTD-18</u>	<u>YTD-17</u>
GAAP net income	\$ 251	\$ 221	\$ 674	\$ 468
Adjustments:				
Merger, integration and other costs <sup>1</sup>	29	15	52	29
Severance costs	7	7	12	19
Amortization of acquisition-related intangible assets	40	40	80	78
Tax impact of adjustments <sup>2</sup>	(17)	(21)	(32)	(42)
(Gain) loss on sale of businesses <sup>3</sup>	3	(10)	(229)	(10)
Tax impact of gain/loss on sale of businesses <sup>2</sup>	(1)	5	77	5
StoneRiver transactions <sup>4</sup>	(1)	—	(1)	(26)
Tax impact of StoneRiver transactions <sup>2</sup>	—	—	—	9
Adjusted net income, before Lending Transaction impact	<u>311</u>	<u>257</u>	<u>633</u>	<u>530</u>
Lending Transaction impact <sup>5</sup>	—	(17)	—	(17)
Taxes on Lending Transaction impact <sup>2</sup>	—	6	—	6
Adjusted net income	<u><u>\$ 311</u></u>	<u><u>\$ 246</u></u>	<u><u>\$ 633</u></u>	<u><u>\$ 519</u></u>

\$ in millions. See page 2 for information regarding non-GAAP financial measures.

<sup>1</sup>Merger, integration and other costs include acquisition and related integration costs of \$29 million in 2018 and \$13 million in 2017, and certain costs associated with the achievement of the company's operational effectiveness objectives of \$23 million in 2018 and \$16 million in 2017, primarily consisting of expenses related to data center consolidation activities.

<sup>2</sup>The tax impact of adjustments is calculated using tax rates of 22 percent and 33 percent in 2018 and 2017, respectively, which approximates the company's annual effective tax rate for the respective years, exclusive of the actual tax impacts associated with the gain/loss on sale of businesses and StoneRiver transactions.

<sup>3</sup>Represents the (gain) loss on the Lending Transaction in 2018 and the sale of the company's Australian item processing business in 2017.

<sup>4</sup>Represents the company's share of the net gains on the sales of businesses at StoneRiver Group, L.P., a joint venture in which the company owns a 49% interest.

<sup>5</sup>Represents the earnings attributable to the disposed 55 percent interest of the company's Lending Solutions business.

# Free Cash Flow Conversion

	<u>YTD-18</u>	<u>YTD-17</u>
Net cash provided by operating activities	\$ 613	\$ 691
Capital expenditures	(169)	(136)
Adjustments:		
Severance, merger and integration payments	56	42
StoneRiver cash distributions	(1)	(31)
Other	—	(3)
Tax payments on adjustments	(8)	(8)
Free cash flow	<u>\$ 491</u>	<u>\$ 555</u>
Adjusted net income, before Lending Transaction impact <sup>1</sup>	<u>\$ 633</u>	<u>\$ 530</u>
Free cash flow conversion	78%	105%
GAAP net income	\$ 674	\$ 468
Ratio of net cash provided by operating activities to GAAP net income	91%	148%
Weighted average diluted shares outstanding	419.0	435.5

\$ in millions. Free cash flow conversion is defined as free cash flow divided by adjusted net income before Lending Transaction impact.

See page 2 for information regarding non-GAAP financial measures.

<sup>1</sup>See page 14 for adjusted net income reconciliation.

# Adjusted Revenue and Adjusted Operating Income

## Total Company

	2Q-18	2Q-17	YTD-18	YTD-17
Revenue	\$ 1,420	\$ 1,386	\$ 2,860	\$ 2,780
Output Solutions postage reimbursements	(67)	(64)	(141)	(139)
Deferred revenue purchase accounting adjustments	1	1	3	2
Adjusted revenue	<u>\$ 1,354</u>	<u>\$ 1,323</u>	<u>\$ 2,722</u>	<u>\$ 2,643</u>
Operating income	\$ 358	\$ 372	\$ 966	\$ 737
Merger, integration and other costs	31	15	54	29
Severance costs	7	7	12	19
Amortization of acquisition-related intangible assets	40	40	80	78
(Gain) loss on sale of businesses	3	(10)	(229)	(10)
Adjusted operating income	<u>\$ 439</u>	<u>\$ 424</u>	<u>\$ 883</u>	<u>\$ 853</u>
Operating margin	25.2%	26.8%	33.8%	26.5%
Adjusted operating margin	32.4%	32.0%	32.5%	32.3%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

See page 2 for information regarding non-GAAP financial measures.



# Adjusted Revenue and Adjusted Operating Income by Segment

## Payments Segment

	2Q-18	2Q-17	YTD-18	YTD-17
Revenue	\$ 837	\$ 779	\$ 1,679	\$ 1,573
Output Solutions postage reimbursements	(67)	(64)	(141)	(139)
Deferred revenue purchase accounting adjustments	1	1	3	2
Adjusted revenue	\$ 771	\$ 716	\$ 1,541	\$ 1,436
Operating income	\$ 269	\$ 238	\$ 540	\$ 497
Merger, integration and other costs	1	1	2	2
Adjusted operating income	\$ 270	\$ 239	\$ 542	\$ 499
Operating margin	32.1%	30.5%	32.2%	31.6%
Adjusted operating margin	35.0%	33.3%	35.2%	34.7%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

See page 2 for information regarding non-GAAP financial measures.

# Adjusted Revenue and Adjusted Operating Income by Segment

## Financial Segment

	2Q-18	2Q-17	YTD-18	YTD-17
Revenue	\$ 590	\$ 623	\$ 1,206	\$ 1,243
Operating income	\$ 201	\$ 214	\$ 403	\$ 410
Operating margin	34.0%	34.3%	33.4%	33.0%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

See page 2 for information regarding non-GAAP financial measures.