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Third Quarter 2020 Financial Results Conference Call

October 27, 2020

Forward-Looking Statements and Non-GAAP Financial Measures

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated adjusted earnings per share and adjusted earnings per share growth and expected synergies from the acquisition of First Data Corporation ("First Data"). 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 could cause the company's actual results to differ materially include, among others, the following, many of which are, and will be, amplified by the COVID-19 pandemic: the duration and intensity of the COVID-19 pandemic; governmental and private sector responses to the COVID-19 pandemic and the impact of such responses on the company; the impact of the COVID-19 pandemic on the company's employees, clients, vendors, operations and sales; the possibility that the company may be unable to achieve expected synergies and operating efficiencies from the First Data acquisition within the expected time frames or at all or to successfully integrate the operations of First Data into the company's operations; such integration may be more difficult, time-consuming or costly than expected; profitability following the transaction may be lower than expected, including due to unexpected costs, charges or expenses resulting from the transaction; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the transaction; unforeseen risks relating to the company's liabilities or those of First Data may exist; the company's ability to meet expectations regarding the accounting and tax treatments of the transaction; the company's ability to compete effectively against new and existing competitors and to continue to introduce competitive new products and services on a timely, cost-effective basis; changes in customer demand for the company's products and services; the ability of the company's technology to keep pace with a rapidly evolving marketplace; the successful management of the company's merchant alliance program which involves several alliances not under its sole control; the impact of a security breach or operational failure on the company's business including disruptions caused by other participants in the global financial system; the failure of the company's vendors and merchants to satisfy their obligations; the successful management of credit and fraud risks in the company's business and merchant alliances; changes in local, regional, national and international economic or political conditions and the impact they may have on the company and its customers; the effect of proposed and enacted legislative and regulatory actions affecting the company or the financial services industry as a whole; the company's ability to comply with government regulations and applicable card association and network rules; the protection and validity of intellectual property rights; the outcome of pending and future litigation and governmental proceedings; 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 company's ability to attract and retain key personnel; volatility and disruptions in financial markets that may impact the company's ability to access preferred sources of financing and the terms on which the company is able to obtain financing or increase its cost of borrowing; adverse impacts from currency exchange rates or currency controls; and other factors included in "Risk Factors" in the company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020, Annual Report on Form 10-K for the year ended December 31, 2019, and in other documents that the company files with the SEC, which are available at <http://www.sec.gov>. 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.

Use of Non-GAAP Financial Measures

This presentation includes non-GAAP financial measures. Additional information about these measures, reconciliations to the nearest GAAP financial measures and additional information about the basis of the presentation of our quarterly financial results are provided in the appendix to this presentation.

3Q-20 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
3Q-20	\$3,590	\$3,483	\$1.20
3Q-19	\$3,617	\$3,397	\$1.01
Change	(1)%	3%	19%

\$ in millions, except per share amounts.

See appendix for information regarding non-GAAP measures.

YTD-20 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
YTD-20	\$10,288	\$10,005	\$3.12
YTD-19	\$10,733	\$10,051	\$2.82
Change	(4)%	0%	11%

\$ in millions, except per share amounts.

See appendix for information regarding non-GAAP measures.

Other Financial Metrics

	Free Cash Flow Conversion	Adjusted Operating Margin
YTD-20	122%	29.9%
YTD-19	116%	29.1%
Change ¹	6%	80 bps

¹ Free cash flow conversion change represents the change in percentage points.

See appendix for information regarding non-GAAP measures.

Internal Revenue Growth by Segment

Segment	3Q-20	YTD-20
Acceptance	6%	(1)%
Fintech	0%	0%
Payments	1%	0%
Total Company	3%	0%

See appendix for information regarding non-GAAP measures.

3Q-20 Adjusted Operating Margin

Segment	3Q-20	3Q-19	Change (bps)
Acceptance	29.2%	27.4%	180
Fintech	36.4%	30.4%	600
Payments	43.5%	40.4%	310
Total Company	32.9%	29.8%	310

See appendix for information regarding non-GAAP measures.

YTD-20 Adjusted Operating Margin

Segment	YTD-20	YTD-19	Change (bps)
Acceptance	23.5%	27.2%	(370)
Fintech	33.4%	29.5%	390
Payments	42.3%	39.5%	280
Total Company	29.9%	29.1%	80

See appendix for information regarding non-GAAP measures.



Appendix

Non-GAAP Financial Measures

Use of Non-GAAP Financial Measures

Due to the financial impact of the First Data acquisition, the company's 2019 non-GAAP financial performance measures have been recalculated in this presentation on a combined company basis reflecting its new reportable segments as realigned during the first quarter of 2020. The combined financial information has been prepared by making certain adjustments to the sum of historical First Data financial information determined in accordance with generally accepted accounting principles ("GAAP") and historical Fiserv financial information determined in accordance with GAAP. The historical combined financial information includes various estimates and is not necessarily indicative of the operating results of the combined companies had the transaction been completed at the assumed date or of the combined companies in the future. The historical combined financial information does not reflect any cost savings or other synergies anticipated as a result of the acquisition. In addition, the historical combined financial information does not reflect the impact of any purchase accounting adjustments that may arise from the acquisition as those impacts would be excluded in the preparation of the combined financial information. The combined financial information is not pro forma information prepared in accordance with Article 11 of Regulation S-X of the Securities and Exchange Commission, and the preparation of information in accordance with Article 11 would result in a significantly different presentation.

This presentation includes the following non-GAAP financial measures: "combined revenue," "adjusted revenue," "internal revenue," "internal revenue growth," "combined operating income," "adjusted operating income," "adjusted operating margin," "combined net income attributable to Fiserv," "adjusted net income," "adjusted net income, before impact of divestitures," "combined earnings per share," "adjusted earnings per share," "combined net cash provided by operating activities," "free cash flow," and "free cash flow conversion." Management believes that providing combined historical financial information, making adjustments for certain non-cash or other items and excluding certain pass-through revenue and expenses with respect to such combined information should enhance shareholders' ability to evaluate the combined company's performance, including providing a reasonable basis of comparison with its results for post-acquisition periods and providing additional insights into the factors and trends affecting the combined company's business. Additional information about these measures and reconciliations to the nearest GAAP financial measures are provided in this appendix.

Internal Revenue Growth

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2020	2019	Growth	2020	2019	Growth
Total Company						
Adjusted revenue	\$ 3,590	\$ 3,617		\$ 10,288	\$ 10,733	
Currency impact	25	—		118	—	
Acquisition adjustments	—	—		(6)	—	
Divestiture adjustments	(132)	(220)		(395)	(682)	
Internal revenue	<u>\$ 3,483</u>	<u>\$ 3,397</u>	3%	<u>\$ 10,005</u>	<u>\$ 10,051</u>	0%
Acceptance						
Adjusted revenue	\$ 1,456	\$ 1,437		\$ 3,958	\$ 4,238	
Currency impact	24	—		93	—	
Acquisition adjustments	—	—		(6)	—	
Divestiture adjustments	(120)	(150)		(337)	(479)	
Internal revenue	<u>\$ 1,360</u>	<u>\$ 1,287</u>	6%	<u>\$ 3,708</u>	<u>\$ 3,759</u>	(1)%
Fintech						
Adjusted revenue	\$ 727	\$ 735		\$ 2,159	\$ 2,191	
Currency impact	(1)	—		2	—	
Divestiture adjustments	—	(9)		—	(29)	
Internal revenue	<u>\$ 726</u>	<u>\$ 726</u>	0%	<u>\$ 2,161</u>	<u>\$ 2,162</u>	0%
Payments						
Adjusted revenue	\$ 1,396	\$ 1,397		\$ 4,121	\$ 4,154	
Currency impact	2	—		23	—	
Divestiture adjustments	(1)	(13)		(8)	(28)	
Internal revenue	<u>\$ 1,397</u>	<u>\$ 1,384</u>	1%	<u>\$ 4,136</u>	<u>\$ 4,126</u>	0%
Corporate and Other						
Adjusted revenue	\$ 11	\$ 48		\$ 50	\$ 150	
Divestiture adjustments	(11)	(48)		(50)	(146)	
Internal revenue	<u>\$ —</u>	<u>\$ —</u>		<u>\$ —</u>	<u>\$ 4</u>	

\$ in millions. Internal revenue growth is calculated using actual, unrounded amounts. See page 10 for information regarding non-GAAP financial measures.

Internal revenue growth is measured as the change in adjusted revenue (see pages 17-21) for the current period excluding the impact of foreign currency fluctuations and revenue attributable to acquisitions (except for revenue attributable to First Data which is presented on a combined company basis) and dispositions, divided by adjusted revenue from the prior period excluding revenue attributable to dispositions. Revenue attributable to dispositions also includes current and prior period revenue associated with merchants retained by the Company from the Banc of America Merchant Services joint venture, which was dissolved effective July 1, 2020, transition services revenue within Corporate and Other, and, in the Payments segment, certain adjustments to conform prior period amounts to be consistent with the combined company's presentation. Currency impact is measured as the increase or decrease in adjusted revenue for the current period by applying prior period foreign currency exchange rates to present a constant currency comparison to prior periods.

Adjusted EPS

	3Q-20	3Q-19	YTD-20	YTD-19
GAAP EPS ¹	\$ 0.39	\$ 0.33	\$ 0.96	\$ 1.39
Combined EPS ¹	\$ 0.39	\$ 0.08	\$ 0.96	\$ 1.37
Combined adjustments - net of income taxes:				
Merger and integration costs ²	0.21	0.24	0.73	0.35
Severance and restructuring costs ³	0.02	0.04	0.10	0.08
Amortization of acquisition-related intangible assets ⁴	0.54	0.44	1.71	0.76
Debt financing activities ⁵	—	0.21	—	0.32
Impact of divestitures ⁶	—	(0.01)	—	(0.05)
Non wholly-owned entity activities ⁷	0.04	—	0.06	(0.02)
Gain on sale of businesses ⁶	(0.04)	—	(0.50)	(0.01)
Discrete tax items ⁸	0.05	0.01	0.05	0.01
Adjusted EPS	<u>\$ 1.20</u>	<u>\$ 1.01</u>	<u>\$ 3.12</u>	<u>\$ 2.82</u>

Earnings per share is calculated using actual, unrounded amounts.

See page 10 for information regarding non-GAAP financial measures.

¹ GAAP earnings per share is computed by dividing GAAP net income by the weighted average common shares outstanding - diluted during the period. Combined earnings per share is computed by dividing combined net income attributable to Fiserv by the combined weighted average common shares outstanding - diluted during the period. The combined weighted average common shares outstanding - diluted is computed based on the historical Fiserv weighted average shares outstanding - diluted determined in accordance with GAAP, adjusted to include the Fiserv shares issued as merger consideration and shares subject to First Data equity awards assumed by Fiserv in connection with the First Data acquisition.

² Represents acquisition and related integration costs incurred as a result of the company's various acquisitions. Merger and integration costs include \$175 million and \$200 million in the third quarter of 2020 and 2019, respectively, and \$615 million and \$280 million in the first nine months of 2020 and 2019, respectively, related to the First Data acquisition. First Data integration-related costs in the third quarter and first nine months of 2020 primarily include \$51 million and \$154 million, respectively, of third party professional service fees associated with integration-related activities; \$34 million and \$126 million, respectively, of incremental share-based compensation, including the fair value of stock awards assumed by Fiserv; \$35 million and \$115 million, respectively, of accelerated depreciation and amortization associated with the termination of certain vendor contracts; \$27 million and \$105 million, respectively, of other integration-related compensation costs; and \$4 million and \$44 million, respectively, of non-cash impairment charges associated with the early exit of certain leased facilities. Merger and integration costs related to the First Data acquisition in the third quarter and first nine months of 2019 include \$108 million and \$161 million, respectively, of legal and other professional service fees, primarily consisting of transaction costs, as well as \$57 million of incremental share-based compensation, including the fair value of stock awards assumed by Fiserv in both the third quarter and first nine months of 2019.

Adjusted EPS (cont.)

- ³ Represents severance and other costs associated with the achievement of expense management initiatives, including real estate and data center consolidation activities. Amounts during the second and third quarters of 2020 consisted entirely of severance costs.
- ⁴ Represents amortization of intangible assets acquired through various acquisitions, including customer relationships, software/technology, and trade names. This adjustment does not exclude the amortization of other intangible assets such as contract assets (sales commissions and deferred conversion costs), capitalized and purchased software, and financing costs and debt discounts. See additional information on page 22 for an analysis of the company's amortization expense.
- ⁵ Represents losses on early debt extinguishments and other costs associated with the refinancing of certain indebtedness, including that of First Data. Debt financing activities in the first nine months of 2019 include \$220 million of early debt extinguishment costs and \$98 million of bridge term loan facility expenses, partially offset by \$50 million of net currency transaction gains related to foreign currency denominated debt.
- ⁶ Represents the earnings attributable to divested businesses and the gain on the associated divestiture transactions, including two businesses acquired as part of the First Data acquisition that were sold in October 2019, the sale of a 60% interest in the Investment Services business in February 2020, and the dissolution of the Banc of America Merchant Services joint venture in July 2020.
- ⁷ Represents the company's share of amortization of acquisition-related intangible assets at its unconsolidated affiliates, as well as the minority interest share of amortization of acquisition-related intangible assets at its subsidiaries in which it holds a controlling financial interest. This adjustment also includes a \$14 million net gain on the merger of a joint venture in the third quarter and first nine months of 2019.
- ⁸ Represents certain discrete items, such as the revaluation of deferred taxes in 2020 due to a change in the statutory tax rate in the United Kingdom and non-deductible transaction costs in 2019 associated with the acquisition of First Data.

Adjusted Net Income

	3Q-20	3Q-19	YTD-20	YTD-19
GAAP net income	\$ 264	\$ 198	\$ 658	\$ 646
GAAP net income attributable to First Data ¹	—	(141)	—	303
Combined net income attributable to Fiserv	264	57	658	949
Combined adjustments:				
Merger and integration costs ²	185	217	648	319
Severance and restructuring costs ³	13	37	92	75
Amortization of acquisition-related intangible assets ⁴	477	400	1,523	689
Debt financing activities ⁵	—	186	—	287
Non wholly-owned entity activities ⁷	34	(2)	53	(20)
Tax impact of adjustments ⁸	(162)	(193)	(532)	(311)
Gain on sale of businesses ⁶	(36)	—	(464)	(7)
Tax impact of gain on sale of businesses ⁸	12	—	124	2
Discrete tax items ⁹	32	8	32	8
Adjusted net income, before impact of divestitures	819	710	2,134	1,991
Impact of divestitures ⁶	—	(12)	—	(41)
Taxes on impact of divestitures ⁸	—	4	—	10
Adjusted net income	\$ 819	\$ 702	\$ 2,134	1,960
Weighted average common shares outstanding - diluted	680.3	596.9	684.1	465.2
Issuance of shares for combination	—	95.4	—	222.7
Dilutive impact of exchanged equity awards	—	2.6	—	6.0
Combined weighted average common shares outstanding - diluted ¹⁰	680.3	694.9	684.1	693.9
GAAP earnings per share ¹⁰	\$ 0.39	\$ 0.33	\$ 0.96	\$ 1.39
Combined earnings per share ¹⁰	\$ 0.39	\$ 0.08	\$ 0.96	\$ 1.37

\$ in millions, except per share amounts. See page 10 for information regarding non-GAAP financial measures.

Adjusted Net Income (cont.)

- ¹ Represents the financial results of First Data prior to the date of acquisition. For the three and nine months ended September 30, 2019, this includes the results of First Data from July 1, 2019 through July 28, 2019 and from January 1, 2019 through July 28, 2019, respectively.
- ² Represents acquisition and related integration costs incurred as a result of the company's various acquisitions. Merger and integration costs include \$175 million and \$200 million in the third quarter of 2020 and 2019, respectively, and \$615 million and \$280 million in the first nine months of 2020 and 2019, respectively, related to the First Data acquisition. First Data integration-related costs in the third quarter and first nine months of 2020 primarily include \$51 million and \$154 million, respectively, of third party professional service fees associated with integration-related activities; \$34 million and \$126 million, respectively, of incremental share-based compensation, including the fair value of stock awards assumed by Fiserv; \$35 million and \$115 million, respectively, of accelerated depreciation and amortization associated with the termination of certain vendor contracts; \$27 million and \$105 million, respectively, of other integration-related compensation costs; and \$4 million and \$44 million, respectively, of non-cash impairment charges associated with the early exit of certain leased facilities. Merger and integration costs related to the First Data acquisition in the third quarter and first nine months of 2019 include \$108 million and \$161 million, respectively, of legal and other professional service fees, primarily consisting of transaction costs, as well as \$57 million of incremental share-based compensation, including the fair value of stock awards assumed by Fiserv in both the third quarter and first nine months of 2019.
- ³ Represents severance and other costs associated with the achievement of expense management initiatives, including real estate and data center consolidation activities. Amounts during the second and third quarters of 2020 consisted entirely of severance costs.
- ⁴ Represents amortization of intangible assets acquired through various acquisitions, including customer relationships, software/technology, and trade names. This adjustment does not exclude the amortization of other intangible assets such as contract assets (sales commissions and deferred conversion costs), capitalized and purchased software, and financing costs and debt discounts. See additional information on page 22 for an analysis of the company's amortization expense.
- ⁵ Represents losses on early debt extinguishments and other costs associated with the refinancing of certain indebtedness, including that of First Data. Debt financing activities in the first nine months of 2019 include \$220 million of early debt extinguishment costs and \$98 million of bridge term loan facility expenses, partially offset by \$50 million of net currency transaction gains related to foreign currency denominated debt.
- ⁶ Represents the earnings attributable to divested businesses and the gain on the associated divestiture transactions, including two businesses acquired as part of the First Data acquisition that were sold in October 2019, the sale of a 60% interest in the Investment Services business in February 2020, and the dissolution of the Banc of America Merchant Services joint venture in July 2020.
- ⁷ Represents the company's share of amortization of acquisition-related intangible assets at its unconsolidated affiliates, as well as the minority interest share of amortization of acquisition-related intangible assets at its subsidiaries in which it holds a controlling financial interest. This adjustment also includes a \$14 million net gain on the merger of a joint venture in the third quarter and first nine months of 2019.
- ⁸ The tax impact of adjustments is calculated using a tax rate of 23%, which approximates the combined company's annual effective tax rate, exclusive of the actual tax impacts associated with the gain on sale of businesses.
- ⁹ Represents certain discrete items, such as the revaluation of deferred taxes in 2020 due to a change in the statutory tax rate in the United Kingdom and non-deductible transaction costs in 2019 associated with the acquisition of First Data.
- ¹⁰ GAAP earnings per share is computed by dividing GAAP net income by the weighted average common shares outstanding - diluted during the period. Combined earnings per share is computed by dividing combined net income attributable to Fiserv by the combined weighted average common shares outstanding - diluted during the period. The combined weighted average common shares outstanding - diluted is computed based on the historical Fiserv weighted average shares outstanding - diluted determined in accordance with GAAP, adjusted to include the Fiserv shares issued as merger consideration and shares subject to First Data equity awards assumed by Fiserv in connection with the First Data acquisition.

Free Cash Flow Conversion

	3Q-20	3Q-19	YTD-20	YTD-19
Net cash provided by operating activities	\$ 1,042	\$ 1,038	\$ 2,961	\$ 1,617
First Data net cash provided by operating activities ¹	—	42	—	1,370
First Data payments for contract assets ²	—	—	—	(51)
Combined net cash provided by operating activities	1,042	1,080	2,961	2,936
Combined capital expenditures	(201)	(285)	(689)	(828)
Combined adjustments:				
Distributions paid to noncontrolling interests and redeemable noncontrolling interests	(9)	(66)	(61)	(199)
Distributions from unconsolidated affiliates ³	28	78	94	85
Severance, restructuring, merger and integration payments	96	66	368	202
Settlement of interest rate hedge contracts	—	—	—	183
Tax payments on adjustments and debt financing	(17)	(36)	(79)	(72)
Other	—	—	—	(4)
Free cash flow	<u>\$ 939</u>	<u>\$ 837</u>	<u>\$ 2,594</u>	<u>\$ 2,303</u>
Adjusted net income, before impact of divestitures	\$ 819	\$ 710	\$ 2,134	\$ 1,991
Free cash flow conversion	115 %	118 %	122 %	116 %
GAAP net income attributable to Fiserv, Inc.	\$ 264	\$ 198	\$ 658	\$ 646
Ratio of net cash provided by operating activities to GAAP net income	395 %	524 %	450 %	250 %

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

See page 10 for information regarding non-GAAP financial measures. See pages 14-15 for adjusted net income reconciliation.

¹ Represents the financial results of First Data prior to the date of acquisition. For the three and nine months ended September 30, 2019, this includes the results of First Data from July 1, 2019 through July 28, 2019 and from January 1, 2019 through July 28, 2019, respectively.

² Represents the conformity of First Data's historical classification of payments for contract assets to be consistent with the company's classification and treatment.

³ Distributions from unconsolidated affiliates totaled \$28 million and \$106 million for the three and nine months ended September 30, 2020, of which \$0 million and \$12 million are recorded within net cash provided by operating activities, respectively. Distributions from unconsolidated affiliates totaled \$84 million and \$190 million for the three and nine months ended September 30, 2019, of which \$6 million and \$105 million are recorded within First Data net cash provided by operating activities, respectively.

Adjusted Revenue and Adjusted Operating Income

Total Company

	<u>3Q-20</u>	<u>3Q-19</u>	<u>YTD-20</u>	<u>YTD-19</u>
Revenue	\$ 3,786	\$ 3,128	\$ 11,020	\$ 6,142
First Data revenue ¹	—	808	—	5,609
Combined revenue	<u>3,786</u>	<u>3,936</u>	<u>11,020</u>	<u>11,751</u>
Combined adjustments:				
Intercompany eliminations ²	—	—	—	(4)
Output Solutions postage reimbursements	(207)	(237)	(640)	(730)
Deferred revenue purchase accounting adjustments	11	6	34	6
Merchant Services adjustment ³	—	(88)	(126)	(290)
Adjusted revenue	<u>\$ 3,590</u>	<u>\$ 3,617</u>	<u>\$ 10,288</u>	<u>\$ 10,733</u>
Operating income	\$ 542	\$ 374	\$ 1,336	\$ 1,131
First Data operating income ¹	—	99	—	1,088
Combined operating income	<u>542</u>	<u>473</u>	<u>1,336</u>	<u>2,219</u>
Combined adjustments:				
Merger and integration costs	185	217	648	319
Severance and restructuring costs	13	37	92	75
Amortization of acquisition-related intangible assets	477	400	1,523	689
Merchant Services adjustment ³	—	(48)	(59)	(169)
Gain on sale of businesses	(36)	—	(464)	(7)
Adjusted operating income	<u>\$ 1,181</u>	<u>\$ 1,079</u>	<u>\$ 3,076</u>	<u>\$ 3,126</u>
Operating margin	14.3 %	12.0 %	12.1 %	18.4 %
Adjusted operating margin	32.9 %	29.8 %	29.9 %	29.1 %

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.
See page 10 for information regarding non-GAAP financial measures.

Adjusted Revenue and Adjusted Operating Income (cont.)

- ¹ Represents the financial results of First Data prior to the date of acquisition. For the three and nine months ended September 30, 2019, this includes the results of First Data from July 1, 2019 through July 28, 2019 and from January 1, 2019 through July 28, 2019, respectively.
- ² Represents the elimination of intercompany revenue and expense between First Data and the company.
- ³ Represents an adjustment primarily related to the company's joint venture with Bank of America. The Banc of America Merchant Services joint venture ("BAMS") was dissolved effective July 1, 2020. The company owned 51% of BAMS and through June 30, 2020, BAMS' financial results were 100% consolidated into the company's financial statements for GAAP reporting purposes. In connection with the dissolution of the joint venture, the company received a 51% share of the joint venture's value via an agreed upon contractual separation. In addition, the company will continue providing merchant processing and related services to Bank of America for its merchant clients. The non-GAAP adjustment reduces adjusted revenue and adjusted operating income by the joint venture revenue and expense that was not expected to be retained by the company upon dissolution and is partially offset by an increase to processing and services revenue.

Adjusted Revenue and Adjusted Operating Income by Segment

Acceptance Segment

	3Q-20	3Q-19	YTD-20	YTD-19
Revenue	\$ 1,454	\$ 1,012	\$ 4,078	\$ 1,012
First Data revenue ¹	—	511	—	3,514
Combined revenue	1,454	1,523	4,078	4,526
Combined adjustments:				
Deferred revenue purchase accounting adjustments	2	2	6	2
Merchant Services adjustment ²	—	(88)	(126)	(290)
Adjusted revenue	\$ 1,456	\$ 1,437	\$ 3,958	\$ 4,238
Operating income	\$ 423	\$ 296	\$ 985	\$ 296
First Data operating income ¹	—	144	—	1,026
Combined operating income	423	440	985	1,322
Combined adjustments:				
Merger and integration costs	2	2	5	2
Merchant Services adjustment ²	—	(48)	(59)	(169)
Adjusted operating income	\$ 425	\$ 394	\$ 931	\$ 1,155
Operating margin	29.1 %	29.2 %	24.1 %	29.2 %
Adjusted operating margin	29.2 %	27.4 %	23.5 %	27.2 %

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.
See page 10 for information regarding non-GAAP financial measures.

¹ Represents the financial results of First Data prior to the date of acquisition. For the three and nine months ended September 30, 2019, this includes the results of First Data from July 1, 2019 through July 28, 2019 and from January 1, 2019 through July 28, 2019, respectively.

² Represents an adjustment primarily related to the company's joint venture with Bank of America. The Banc of America Merchant Services joint venture ("BAMS") was dissolved effective July 1, 2020. The company owned 51% of BAMS and through June 30, 2020, BAMS' financial results were 100% consolidated into the company's financial statements for GAAP reporting purposes. In connection with the dissolution of the joint venture, the company received a 51% share of the joint venture's value via an agreed upon contractual separation. In addition, the company will continue providing merchant processing and related services to Bank of America for its merchant clients. The non-GAAP adjustment reduces adjusted revenue and adjusted operating income by the joint venture revenue and expense that was not expected to be retained by the company upon dissolution and is partially offset by an increase to processing and services revenue.

Adjusted Revenue and Adjusted Operating Income by Segment

Fintech Segment

	3Q-20	3Q-19	YTD-20	YTD-19
Revenue	\$ 727	\$ 735	\$ 2,159	\$ 2,191
Operating income	\$ 265	\$ 223	\$ 721	\$ 647
Operating margin	36.4 %	30.4 %	33.4 %	29.5 %

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

For all periods presented in the Fintech segment, there were no adjustments to GAAP measures presented and thus the adjusted measures are equal to the GAAP measures presented.

See page 10 for information regarding non-GAAP financial measures.

Adjusted Revenue and Adjusted Operating Income by Segment

Payments Segment

	<u>3Q-20</u>	<u>3Q-19</u>	<u>YTD-20</u>	<u>YTD-19</u>
Revenue	\$ 1,387	\$ 1,153	\$ 4,093	\$ 2,466
First Data revenue ¹	—	240	—	1,688
Combined revenue	<u>1,387</u>	<u>1,393</u>	<u>4,093</u>	<u>4,154</u>
Combined adjustments:				
Intercompany eliminations ²	—	—	—	(4)
Deferred revenue purchase accounting adjustments	9	4	28	4
Adjusted revenue	<u>\$ 1,396</u>	<u>\$ 1,397</u>	<u>\$ 4,121</u>	<u>\$ 4,154</u>
Operating income	\$ 599	\$ 476	\$ 1,712	\$ 1,038
First Data operating income ¹	—	84	—	600
Combined operating income	<u>599</u>	<u>560</u>	<u>1,712</u>	<u>1,638</u>
Combined adjustments:				
Merger and integration costs	9	4	29	4
Adjusted operating income	<u>\$ 608</u>	<u>\$ 564</u>	<u>\$ 1,741</u>	<u>\$ 1,642</u>
Operating margin	43.2 %	41.3 %	41.8 %	42.1 %
Adjusted operating margin	43.5 %	40.4 %	42.3 %	39.5 %

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

See page 10 for information regarding non-GAAP financial measures.

¹ Represents the financial results of First Data prior to the date of acquisition. For the three and nine months ended September 30, 2019, this includes the results of First Data from July 1, 2019 through July 28, 2019 and from January 1, 2019 through July 28, 2019, respectively.

² Represents the elimination of intercompany revenue and expense between First Data and the company.

Additional Information – Amortization Expense

Total Amortization ¹	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Acquisition-related intangible assets	\$ 504	\$ 387	\$ 1,603	\$ 476
Capitalized software and other intangibles	41	40	119	117
Purchased software	78	32	212	57
Financing costs, debt discounts and other	13	11	36	116
Sales commissions	23	20	67	61
Deferred conversion costs	8	6	22	16
Total amortization	<u>\$ 667</u>	<u>\$ 496</u>	<u>\$ 2,059</u>	<u>\$ 843</u>
First Data acquisition-related intangible assets	\$ —	\$ 33	\$ —	\$ 233
First Data capitalized software and other intangibles	—	10	—	62
First Data purchased software	—	11	—	72
First Data financing costs, debt discounts and other	—	—	—	7
First Data sales commissions	—	—	—	—
First Data deferred conversion costs	—	4	—	22
Total First Data amortization ²	<u>\$ —</u>	<u>\$ 58</u>	<u>\$ —</u>	<u>\$ 396</u>
Combined acquisition-related intangible assets	\$ 504	\$ 420	\$ 1,603	\$ 709
Combined capitalized software and other intangibles	41	50	119	179
Combined purchased software	78	43	212	129
Combined financing costs, debt discounts and other	13	11	36	123
Combined sales commissions	23	20	67	61
Combined deferred conversion costs	8	10	22	38
Total combined amortization	<u>\$ 667</u>	<u>\$ 554</u>	<u>\$ 2,059</u>	<u>\$ 1,239</u>

\$ in millions

¹ The company adjusts its non-GAAP results to exclude amortization of acquisition-related intangible assets as such amounts are inconsistent in amount and frequency and are significantly impacted by the timing and/or size of acquisitions (see corresponding adjustment on page 14). The adjustment for acquired First Data software/technology excludes only the incremental amortization related to the fair value purchase accounting allocation. Management believes that the adjustment of acquisition-related intangible asset amortization supplements the GAAP information with a measure that can be used to assess the comparability of operating performance. Although the company excludes amortization from acquisition-related intangible assets from its non-GAAP expenses, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation. Amortization of intangible assets that relate to past acquisitions will recur in future periods until such intangible assets have been fully amortized. Any future acquisitions may result in the amortization of additional intangible assets.

² Represents the financial results of First Data prior to the date of acquisition. For the three and nine months ended September 30, 2019, this includes the results of First Data from July 1, 2019 through July 28, 2019 and from January 1, 2019 through July 28, 2019, respectively.