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# First Quarter 2018 Financial Results Conference Call

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May 1, 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, as adjusted for the Lending Transaction,” “adjusted net income,” “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.

# 1Q-18 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
1Q-18	\$1,368	\$1,296	\$0.76
1Q-17	\$1,320	\$1,256	\$0.62
Change	4%	3%	23%

\$ 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
1Q-18	98%	32.5%
1Q-17	134%	32.5%
Change <sup>1</sup>	(36%)	—

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	1Q-18
Payments	5%
Financial	1%
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Total Company	3%

See appendix for information regarding non-GAAP measures.

# 1Q-18 Adjusted Operating Margin

Segment	1Q-18	1Q-17	Change (bps)
Payments	35.4%	36.2%	(80)
Financial	32.8%	31.6%	120
Total Company	32.5%	32.5%	—

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 11 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.

In the first quarter of 2018, acquired revenue was \$18 million (\$17 million in the Payments segment and \$1 million in the Financial segment). Revenue attributable to dispositions was \$54 million and \$64 million (all in the Financial segment) in the first quarter of 2018 and 2017, respectively, primarily from the Lending Transaction.

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

# Adjusted EPS

	<u>1Q-18</u>	<u>1Q-17</u>
GAAP EPS	\$ 1.00	\$ 0.56
Adjustments - net of income taxes:		
Merger, integration and other costs <sup>1</sup>	0.04	0.02
Severance costs	0.01	0.02
Amortization of acquisition-related intangible assets	0.07	0.06
Gain on sale of business <sup>2</sup>	(0.37)	—
StoneRiver transaction <sup>3</sup>	—	(0.04)
Adjusted EPS	<u>\$ 0.76</u>	<u>\$ 0.62</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 \$15 million in 2018 and \$7 million in 2017, and certain costs associated with the achievement of the company's operational effectiveness objectives of \$8 million in 2018 and \$7 million in 2017, primarily consisting of expenses related to data center consolidation activities.

<sup>2</sup>Represents the gain on the sale of a majority interest of the company's Lending Solutions business.

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

# 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 sold a 55 percent interest of its Lending Solutions business (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.

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

<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>1Q-18</u>	<u>1Q-17</u>
GAAP net income	\$ 423	\$ 247
Adjustments:		
Merger, integration and other costs <sup>1</sup>	23	14
Severance costs	5	12
Amortization of acquisition-related intangible assets	40	38
Tax impact of adjustments <sup>2</sup>	(15)	(21)
Gain on sale of business <sup>3</sup>	(232)	—
Tax impact of gain on sale of business <sup>2</sup>	78	—
StoneRiver transaction <sup>4</sup>	—	(26)
Tax impact of StoneRiver transaction <sup>2</sup>	—	9
Adjusted net income	<u>\$ 322</u>	<u>\$ 273</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 \$15 million in 2018 and \$7 million in 2017, and certain costs associated with the achievement of the company's operational effectiveness objectives of \$8 million in 2018 and \$7 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 on sale of business and StoneRiver transaction.

<sup>3</sup>Represents the gain on the sale of a majority interest of the company's Lending Solutions business.

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

# Free Cash Flow Conversion

	<u>YTD-18</u>	<u>YTD-17</u>
Net cash provided by operating activities	\$ 372	\$ 463
Capital expenditures	(77)	(76)
Adjustments:		
Severance, merger and integration payments	27	20
StoneRiver cash distribution	—	(31)
Other	—	(3)
Tax payments on adjustments	(6)	(7)
Free cash flow	<u>\$ 316</u>	<u>\$ 366</u>
Adjusted net income <sup>1</sup>	<u>\$ 322</u>	<u>\$ 273</u>
Free cash flow conversion	98%	134%
GAAP net income	\$ 423	\$ 247
Ratio of net cash provided by operating activities to GAAP net income	88%	187%
Weighted average diluted shares outstanding	421.6	438.5

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

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

<sup>1</sup>See page 12 for adjusted net income reconciliation.

# Adjusted Revenue and Adjusted Operating Income

## Total Company

	<u>1Q-18</u>	<u>1Q-17</u>
Revenue	\$ 1,440	\$ 1,394
Output Solutions postage reimbursements	(74)	(75)
Deferred revenue purchase accounting adjustments	2	1
Adjusted revenue	<u>\$ 1,368</u>	<u>\$ 1,320</u>
Operating income	\$ 608	\$ 365
Merger, integration and other costs	23	14
Severance costs	5	12
Amortization of acquisition-related intangible assets	40	38
Gain on sale of business	(232)	—
Adjusted operating income	<u>\$ 444</u>	<u>\$ 429</u>
Operating margin	42.2%	26.2%
Adjusted operating margin	32.5%	32.5%

\$ 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

	1Q-18	1Q-17
Revenue	\$ 842	\$ 794
Output Solutions postage reimbursements	(74)	(75)
Deferred revenue purchase accounting adjustments	2	1
Adjusted revenue	<u>\$ 770</u>	<u>\$ 720</u>
Operating income	\$ 271	\$ 259
Merger, integration and other costs	1	1
Adjusted operating income	<u>\$ 272</u>	<u>\$ 260</u>
Operating margin	32.2%	32.7%
Adjusted operating margin	35.4%	36.2%

\$ 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

	<u>1Q-18</u>	<u>1Q-17</u>
Revenue	<u>\$ 616</u>	<u>\$ 620</u>
Operating income	<u>\$ 202</u>	<u>\$ 196</u>
Operating margin	32.8%	31.6%

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

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