

TSYS Financial Highlights (unaudited) <i>(in thousands, except per share data)</i>			
	Three Months Ended March 31,		
	2017	2016	Percent Change
Total revenues	\$ 1,184,725	739,378	60.2 %
Cost of services*	861,856	484,507	77.9
Selling, general and administrative expenses*	155,686	103,184	50.9
Total expenses	<u>1,017,542</u>	<u>587,691</u>	73.1
Operating income	167,183	151,687	10.2
Nonoperating expenses*	<u>(29,903)</u>	<u>(22,098)</u>	(35.3)
Income before income taxes, noncontrolling interests and equity in income of equity investments	137,280	129,589	5.9
Income taxes	<u>43,082</u>	<u>43,429</u>	(0.8)
Income before noncontrolling interests and equity in income of equity investments	94,198	86,160	9.3
Equity in income of equity investments, net of tax*	<u>12,909</u>	<u>6,248</u>	nm
Net income	107,107	92,408	15.9
Net income attributable to noncontrolling interests	<u>(1,239)</u>	<u>(1,780)</u>	30.4
Net income attributable to TSYS common shareholders	<u>\$ 105,868</u>	<u>90,628</u>	16.8 %
Earnings per share (EPS):			
Basic EPS	<u>\$ 0.58</u>	<u>0.49</u>	16.4 %
Diluted EPS	<u>\$ 0.57</u>	<u>0.49</u>	16.1 %
Weighted average shares outstanding: (includes participating securities)			
Basic	<u>183,880</u>	<u>183,256</u>	
Diluted	<u>184,938</u>	<u>183,886</u>	
Dividends declared per share	<u>\$ 0.10</u>	<u>0.10</u>	
<u>Non-GAAP measures:**</u>			
Net revenue	<u>\$ 832,892</u>	<u>671,644</u>	24.0 %
Adjusted EBITDA	<u>\$ 287,237</u>	<u>230,829</u>	24.4 %
Adjusted earnings	<u>\$ 152,265</u>	<u>120,710</u>	26.1 %
Adjusted diluted EPS	<u>\$ 0.82</u>	<u>0.66</u>	25.4 %

* Certain prior year amounts have been reclassified between nonoperating expenses and equity in income of equity investments, net of tax and between cost of services and selling, general and administrative expenses.

** See reconciliation of non-GAAP measures.

nm = not meaningful

		TSYS Segment Breakdown (unaudited) (in thousands)			
		Three Months Ended March 31,			
		2017	2016	Change	
				\$	%
Operating income: (a)	\$	167,183	151,687	15,496	10.2 %
Share-based compensation		9,047	8,158	889	10.9
TransFirst M&A expenses		4,868	3,401	1,467	43.1
Litigation, claims, judgments or settlements		1,961	-	1,961	na
Acquisition intangible amortization		55,167	22,921	32,246	nm
Adjusted operating income (b)	\$	<u>238,226</u>	<u>186,167</u>	<u>52,059</u>	28.0 %
Adjusted segment operating income:					
Issuer Solutions (c)	\$	133,873	135,077	(1,204)	(0.9) %
Merchant Solutions (d)		91,279	38,357	52,922	nm
Netspend (e)		48,648	42,201	6,447	15.3
Corporate admin and other		(35,574)	(29,468)	(6,106)	(20.7)
Adjusted segment operating income	\$	<u>238,226</u>	<u>186,167</u>	<u>52,059</u>	28.0 %
Total revenues: (f)					
	\$	1,184,725	739,378	445,347	60.2 %
Less: reimbursable items, interchange and assessments expenses		351,833	67,734	284,099	nm
Net revenue (g)		832,892	671,644	161,248	24.0
Intersegment revenues		12,389	11,969	420	3.5
Segment net revenue	\$	<u>845,281</u>	<u>683,613</u>	<u>161,668</u>	23.6 %
Segment net revenue:					
Issuer Solutions (h)	\$	387,255	378,009	9,246	2.4 %
Merchant Solutions (i)		260,561	120,612	139,949	nm
Netspend (j)		197,465	184,992	12,473	6.7
Segment net revenue	\$	<u>845,281</u>	<u>683,613</u>	<u>161,668</u>	23.6 %
Operating margin (GAAP): (a)/(f)					
		<u>14.11%</u>	<u>20.52%</u>		
Adjusted operating margin on net revenue: (b)/(g)					
		<u>28.60%</u>	<u>27.72%</u>		
Adjusted segment operating margin on net revenue:					
Issuer Solutions (c)/(h)		<u>34.57%</u>	<u>35.73%</u>		
Merchant Solutions (d)/(i)		<u>35.03%</u>	<u>31.80%</u>		
Netspend (e)/(j)		<u>24.64%</u>	<u>22.81%</u>		
Segment external net revenue:					
Issuer Solutions	\$	375,529	366,884	8,645	2.4 %
Merchant Solutions		260,305	120,561	139,744	nm
Netspend		197,058	184,199	12,859	7.0
Segment external net revenue	\$	<u>832,892</u>	<u>671,644</u>	<u>161,248</u>	24.0 %

nm = not meaningful

na = not applicable

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TSYS Announces First Quarter 2017 Earnings

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TSYS Segment Breakdown (unaudited) (in thousands)				
Three Months Ended March 31,				
	2017	2016	Change	
			\$	%
Depreciation and amortization:				
Issuer Solutions	\$ 36,853	35,619	1,234	3.5 %
Merchant Solutions	7,022	5,050	1,972	39.0
Netspend	4,092	3,110	982	31.6
Segment depreciation and amortization	47,967	43,779	4,188	9.6
Acquisition intangible amortization	55,167	22,921	32,246	nm
Corporate admin and other	1,044	883	161	18.2
Total depreciation and amortization	\$ 104,178	67,583	36,595	54.1 %

Segment statistical data:

Issuer Solutions

Total transactions (in millions)	4,876.6	4,587.9	288.7	6.3 %
Total Accounts on file (AOF) (in millions)	762.0	750.5	11.5	1.5 %
Total Traditional AOF (in millions)	532.3	488.8	43.5	8.9 %

Merchant Solutions

Point-of-sale transactions (in millions)	1,127.7	1,091.0	36.7	3.4 %
Dollar sales volume (in millions)	\$ 29,120.4	11,783.4	17,337.0	nm %
Net revenue per transaction	\$ 0.231	0.111	0.120	nm %

Netspend

Gross dollar volume (in millions)	\$ 9,607.2	9,161.5	445.7	4.9 %
Direct deposit 90-day active cards (in thousands)	2,854.0	2,789.2	64.8	2.3 %
90-day active cards (in thousands)	5,147.4	4,881.6	265.8	5.4 %
% of 90-day active cards with direct deposit	55.4%	57.1%		

nm = not meaningful

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TSYS
Condensed Balance Sheet
(unaudited)
(in thousands)

	March 31, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$ 464,740	425,354
Accounts receivable, net	405,746	432,847
Other current assets	180,325	164,488
Total current assets	<u>1,050,811</u>	<u>1,022,689</u>
Goodwill	3,272,237	3,270,952
Software and other intangible assets, net	1,268,403	1,329,864
Property and equipment, net	281,430	282,345
Other long term assets	477,799	460,327
Total assets	<u>\$ 6,350,680</u>	<u>6,366,177</u>
Liabilities		
Current liabilities:		
Accounts payable	\$ 45,656	38,712
Long-term borrowings and capital leases	33,097	50,727
Other current liabilities	373,505	330,914
Total current liabilities	<u>452,258</u>	<u>420,353</u>
Long-term borrowings and capital leases, excluding current portion	3,229,137	3,313,276
Deferred income tax liabilities	419,786	419,552
Other long-term liabilities	90,032	88,983
Total liabilities	<u>4,191,213</u>	<u>4,242,164</u>
Redeemable noncontrolling interest	<u>14,737</u>	<u>24,093</u>
Equity	<u>2,144,730</u>	<u>2,099,920</u>
Total liabilities and equity	<u>\$ 6,350,680</u>	<u>6,366,177</u>

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

	Three Months Ended March 31,	
	2017	2016
Cash flows from operating activities:		
Net income	\$ 107,107	92,408
Adjustments to reconcile net income to net cash provided by operating activities:		
Equity in income of equity investments, net of tax	(12,909)	(6,248)
Depreciation and amortization	104,178	67,583
Amortization of debt issuance costs	1,079	10,386
Share-based compensation	9,047	8,158
Deferred income tax expense	891	20,156
Other noncash adjustments	16,916	8,719
Changes in operating assets and liabilities	33,852	(55,334)
Net cash provided by operating activities	260,161	145,828
Purchases of property and equipment	(12,240)	(9,940)
Additions to licensed computer software from vendors	(5,162)	(4,894)
Additions to internally developed computer software	(7,355)	(8,544)
Additions to contract acquisition costs	(7,668)	(21,010)
Other investing activities	(379)	-
Net cash used in investing activities	(32,804)	(44,388)
Principal payments on long-term borrowings and capital lease obligations	(104,654)	(304,654)
Proceeds from long-term borrowings	-	1,796,295
Debt issuance costs	-	(26,592)
Purchase of noncontrolling interests	(70,000)	(5,879)
Dividends paid on common stock	(18,333)	(18,283)
Proceeds from exercise of stock options	4,207	626
Other financing activities	(769)	499
Net cash (used in) provided by financing activities	(189,549)	1,442,012
Cash and cash equivalents:		
Effect of exchange rate changes on cash and cash equivalents	1,578	(669)
Net increase in cash and cash equivalents	39,386	1,542,783
Cash and cash equivalents at beginning of period	425,354	389,328
Cash and cash equivalents at end of period	\$ 464,740	1,932,111
Supplemental		
Capital expenditures	\$ 32,425	44,388
Free cash flow (non-GAAP)*	\$ 227,736	101,440

* See reconciliation of non-GAAP measures.

TSYS
Supplemental Information
(unaudited)

Other

AOF:

<i>(in millions)</i>	Total Accounts on File		
	At March 2017	At March 2016	% Change
Consumer	450.0	414.8	8.5
Commercial	50.0	46.3	8.0
Other	32.3	27.7	16.5
Traditional AOF	532.3	488.8	8.9
Prepaid*/Stored Value	54.1	103.1	(47.6)
Government Services	90.3	82.7	9.2
Commercial Card Single Use	85.3	75.9	12.5
Total AOF	<u>762.0</u>	<u>750.5</u>	1.5

* Prepaid does not include Netspend accounts

Growth in Accounts on File (in millions):

	March 2016 to March 2017	March 2015 to March 2016
Beginning balance	750.5	723.7
Change in accounts on file due to:		
Internal growth of existing clients	51.8	52.3
New clients	23.3	43.1
Purges/Sales	(16.6)	(24.3)
Deconversions	(47.0)	(44.3)
Ending balance	<u>762.0</u>	<u>750.5</u>

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Reconciliation of GAAP to Non-GAAP Financial Measures

Non-GAAP Measures

The schedules below provide a reconciliation of revenues and operating results on a constant currency basis to reported revenues and operating income. This non-GAAP measure presents first quarter 2017 financial results using the previous year's foreign currency exchange rates. On a constant currency basis, TSYS' total revenues for the first quarter of 2017 grew 61.7% as compared to a reported GAAP increase of 60.2%.

The schedules below also provide a reconciliation of diluted EPS to adjusted diluted EPS.

The schedules below also provide a reconciliation of net income to EBITDA and adjusted EBITDA.

The schedules below also provide a reconciliation of cash flows from operating activities and capital expenditures to free cash flow.

The schedules below also provide a reconciliation of 2017 guidance of total revenues to net revenue and diluted EPS to adjusted diluted EPS.

The tax rate used in the calculation of adjusted diluted EPS for the quarter and year is equal to an estimate of our annual effective tax rate on GAAP income. This effective rate is estimated annually and may be adjusted during the year to take into account events or trends that materially impact the effective tax rate including, but not limited to, significant changes resulting from tax legislation, material changes in the mix of revenues and expenses by entity and other significant events.

TSYS believes that non-GAAP financial measures are important to enable investors to understand and evaluate its ongoing operating results. Accordingly, TSYS includes non-GAAP financial measures when reporting its financial results to shareholders and potential investors in order to provide them with an additional tool to evaluate TSYS' ongoing business operations. TSYS believes that the non-GAAP financial measures are representative of comparative financial performance that reflects the economic substance of TSYS' current and ongoing business operations.

Although non-GAAP financial measures are often used to measure TSYS' operating results and assess its financial performance, they are not necessarily comparable to similarly titled measures of other companies due to potential inconsistencies in the method of calculation.

TSYS believes that its provision of non-GAAP financial measures provides investors with important key financial performance indicators that are utilized by management to assess TSYS' operating results, evaluate the business and make operational decisions on a prospective, going-forward basis. Hence, management provides disclosure of non-GAAP financial measures to give shareholders and potential investors an opportunity to see TSYS as viewed by management, to assess TSYS with some of the same tools that management utilizes internally and to be able to compare such information with prior periods. TSYS believes that inclusion of non-GAAP financial measures provides investors with additional information to help them better understand its financial statements just as management utilizes these non-GAAP financial measures to better understand the business, manage budgets and allocate resources.

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Reconciliation of GAAP to Non-GAAP

Constant Currency Comparison (unaudited) (in thousands)			
	Three Months Ended March 31,		
	2017	2016	Percent Change
Consolidated			
Constant currency (1)	\$ 1,195,848	739,378	61.7 %
Foreign currency impact (2)	(11,123)	-	
Total revenues	<u>\$ 1,184,725</u>	<u>739,378</u>	60.2 %
Constant currency (1)	\$ 843,231	671,644	25.5 %
Foreign currency impact (2)	(10,339)	-	
Net revenue	<u>\$ 832,892</u>	<u>671,644</u>	24.0 %
Constant currency (1)	\$ 171,971	151,687	13.4 %
Foreign currency impact (2)	(4,788)	-	
Operating income	<u>\$ 167,183</u>	<u>151,687</u>	10.2 %
Issuer Solutions			
Constant currency (1)	\$ 448,235	429,713	4.3 %
Foreign currency impact (2)	(11,118)	-	
Total revenues	<u>\$ 437,117</u>	<u>429,713</u>	1.7 %
Constant currency (1)	\$ 397,590	378,009	5.2 %
Foreign currency impact (2)	(10,335)	-	
Net revenue	<u>\$ 387,255</u>	<u>378,009</u>	2.4 %

(1) Reflects current period results on a non-GAAP basis as if foreign currency rates did not change from the comparable prior year period.

(2) Reflects the impact of calculated changes in foreign currency rates from the comparable period.

Net Revenue (unaudited) (in thousands)			
	Three Months Ended March 31,		
	2017	2016	Percent Change
Total revenues	\$ 1,184,725	739,378	60.2 %
Less: reimbursable items, interchange and assessments expenses	351,833	67,734	nm
Net revenue	<u>\$ 832,892</u>	<u>671,644</u>	24.0 %

nm = not meaningful

Reconciliation of GAAP to Non-GAAP

Adjusted Diluted Earnings per Share (unaudited) <i>(in thousands, except per share data)</i>			
	Three Months Ended March 31,		
	2017	2016	Percent Change
Net income attributable to			
TSYS common shareholders	\$ 105,868	90,628	16.8 %
Adjust for amounts attributable to TSYS common shareholders:			
Add: Acquisition intangible amortization	\$ 55,002	22,645	nm
Add: Share-based compensation	9,041	8,149	10.9
Add: TransFirst M&A expenses*	4,825	13,183	(63.4)
Add: Litigation, claims, judgments or settlements**	1,961	-	na
Less: Tax impact of adjustments***	(24,432)	(13,895)	(75.8)
Adjusted earnings	<u>\$ 152,265</u>	<u>120,710</u>	26.1 %
Diluted EPS - Net income attributable to			
TSYS common shareholders			
As reported (GAAP)	<u>\$ 0.57</u>	<u>0.49</u>	16.1 %
Adjusted diluted EPS	<u>\$ 0.82</u>	<u>0.66</u>	25.4 %
Weighted average diluted shares outstanding	<u>184,938</u>	<u>183,886</u>	

* Costs associated with the TransFirst acquisition and integration that are included in selling, general and administrative expenses and nonoperating expenses.

** Litigation settlement or settlement discussions and related legal expenses in the 1st quarter.

*** Certain of these merger and acquisition costs are nondeductible for income tax purposes. Income tax impact includes a discrete item as a result of the acquisition.

Adjusted EBITDA (unaudited) <i>(in thousands)</i>			
	Three Months Ended March 31,		
	2017	2016	Percent Change
Net income	\$ 107,107	92,408	15.9 %
Adjust for:			
Less: Equity in income of equity investments	(12,909)	(6,248)	nm
Add: Income taxes	43,082	43,429	(0.8)
Add: Nonoperating expense	29,903	22,098	35.3
Add: Depreciation and amortization	104,178	67,583	54.1
EBITDA	<u>\$ 271,361</u>	<u>219,270</u>	23.8 %
Adjust for:			
Add: Share-based compensation	9,047	8,158	10.9
Add: TransFirst M&A expenses*	4,868	3,401	43.1
Add: Litigation, claims, judgments or settlements	1,961	-	na
Adjusted EBITDA	<u>\$ 287,237</u>	<u>230,829</u>	24.4 %

* Costs associated with the TransFirst acquisition and integration that are included in selling, general and administrative expenses.

nm = not meaningful

na = not applicable

Reconciliation of GAAP to Non-GAAP

Free Cash Flow (unaudited) <i>(in thousands)</i>		
Free cash flow:	Three Months Ended March 31,	
	2017	2016
Net cash provided by operating activities (GAAP)	\$ 260,161	145,828
Capital expenditures	<u>(32,425)</u>	<u>(44,388)</u>
Free cash flow (non-GAAP)	<u>\$ 227,736</u>	<u>101,440</u>

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

Revenue:	2017		% Change	
Total revenues (GAAP)	\$ 4,770	to	\$ 4,870	14% to 17%
Less: reimbursable items, interchange and assessments expenses	<u>1,475</u>	to	<u>1,475</u>	
Net revenue (non-GAAP)	\$ 3,295	to	\$ 3,395	8% to 12%

Earnings per share (EPS):

Diluted EPS (GAAP)	\$ 2.25	to	\$ 2.32	30% to 34%
Acquisition intangible amortization, share-based compensation, litigation, claims, judgments or settlements and TransFirst M&A expenses, less the tax impact of adjustments	<u>0.91</u>	to	<u>0.94</u>	
Adjusted diluted EPS attributable to TSYS common shareholders* (non-GAAP)	\$ 3.16	to	\$ 3.26	13% to 17%

* Weighted average diluted shares outstanding 185