

# 2016 SECOND QUARTER

July 26, 2016



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# FORWARD-LOOKING STATEMENTS

This slide presentation and comments made by management contain forward-looking statements including, among others, statements regarding the expected future operating results of TSYS. These statements are based on management's current expectations and assumptions and are subject to risks, uncertainties and changes in circumstances. Forward-looking statements include all statements that are not historical facts and can be identified by the use of forward-looking terminology such as the words "believe," "expect," "anticipate," "intend," "plan," "potential," "estimate" or similar expressions. Actual results may differ materially from those set forth in the forward-looking statements due to a variety of factors. More information about these risks, uncertainties and factors may be found in TSYS' filings with the Securities and Exchange Commission, including its 2015 Annual Report on Form 10-K. TSYS disclaims any obligation to update any forward-looking statements as a result of new information, future developments or otherwise except as required by law.

# USE OF NON-GAAP FINANCIAL MEASURES

This slide presentation contains certain non-GAAP financial measures determined by methods other than in accordance with generally accepted accounting principles. Such non-GAAP financial measures include the following: net revenue, operating margin on net revenue, revenues measured on a constant currency basis, free cash flow, EBITDA, adjusted EBITDA, adjusted earnings per share, adjusted segment operating income and adjusted segment operating margin. The most comparable GAAP measures to these measures include the following: revenues, operating margin, revenues, cash flows from operating activities, net income, net income, earnings per share, operating income and operating margin, respectively. Management uses these non-GAAP financial measures to assess the performance of TSYS' core business. TSYS believes that these non-GAAP financial measures provide meaningful additional information about TSYS to assist investors in evaluating TSYS' operating results. These non-GAAP financial measures should not be considered as a substitute for operating results determined in accordance with GAAP and may not be comparable to other similarly titled measures of other companies. The computations of the non-GAAP financial measures used in this slide presentation are set forth in the Appendix to this slide presentation.



# M. Troy Woods

Chairman and Chief Executive Officer





**Paul Todd**

Chief Financial Officer



# 2016 Second Quarter

## CONSOLIDATED SELECTED FINANCIAL HIGHLIGHTS

(in thousands, except per share data)

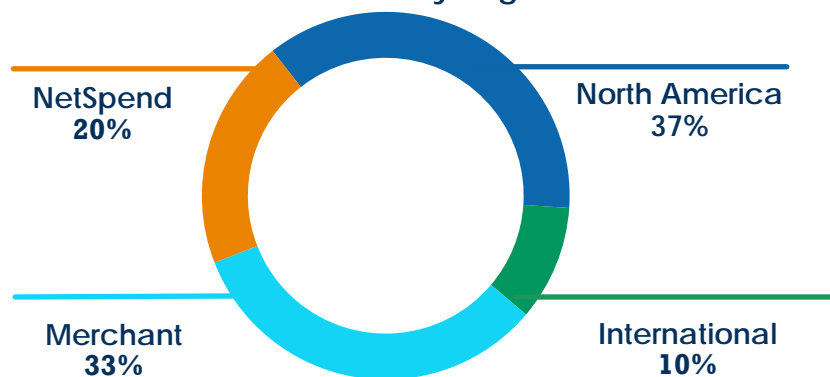
QTD 2016	QTD 2015	Percent Change		YTD 2016	YTD 2015	Percent Change
\$1,151,587	\$692,652	66.3%	Total Revenues	\$1,890,965	\$1,354,808	39.6%
794,937	622,084	27.8	Net Revenue <sup>(1)</sup>	1,466,581	1,217,868	20.4
274,032	206,537	32.7	Adjusted EBITDA <sup>(1)</sup>	504,862	399,991	26.2
\$0.74	\$0.58	27.9	Adjusted EPS <sup>(1)</sup> from Continuing Operations	\$1.40	\$1.11	25.5

(1) Non-GAAP financial measures; See Appendix

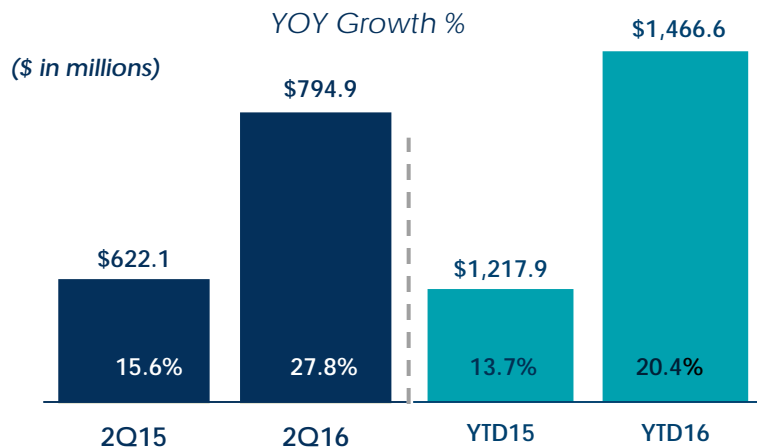
# 2016 Second Quarter CONSOLIDATED HIGHLIGHTS

- \$125 million debt repayment
- Margin expansion of 202 basis points
- Record net revenue of \$794.9 million

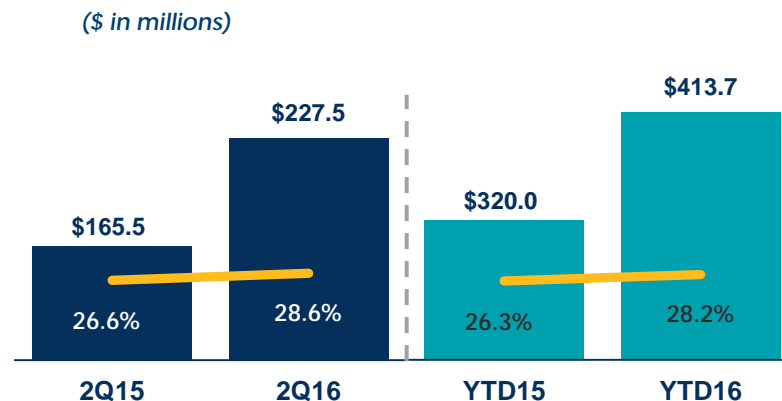
2<sup>nd</sup> Quarter  
Net Revenue by Segment<sup>(1)</sup>



Consolidated Net Revenue<sup>(1)</sup>  
YOY Growth %



Adjusted Operating Income<sup>(1)</sup>  
Operating Margin<sup>(2)</sup>



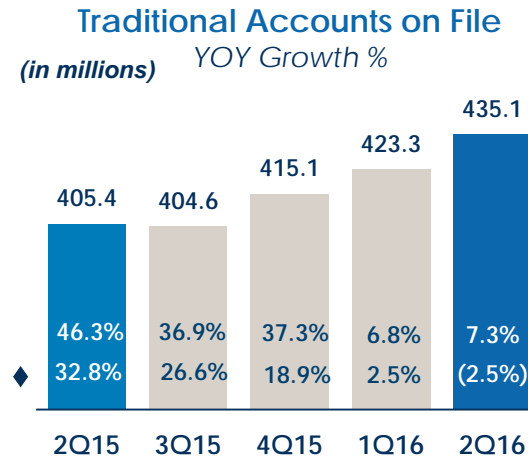
(1) Non-GAAP financial measure; See Appendix

(2) Net Revenue

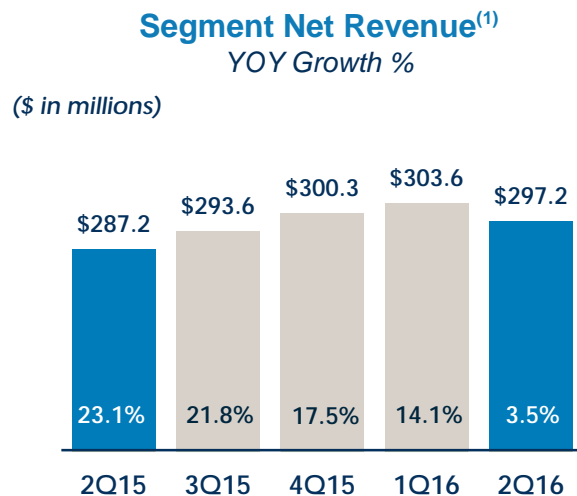
# 2016 Second Quarter

## NORTH AMERICA SEGMENT HIGHLIGHTS

- Focus on client experience contributed to revenue growth
- Record level of traditional AOF; Total AOF down due to Prepaid reductions
- Net revenue growth from Value Added Products, Loyalty and Managed Services up 13.1%



(◆) Growth Including Prepaid, Government Services and Single Use Accounts



(1) Non-GAAP financial measure; See Appendix  
(2) Net Revenue



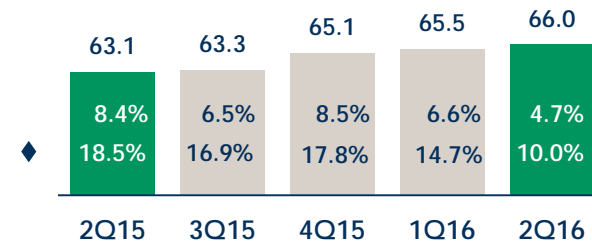
# 2016 Second Quarter INTERNATIONAL SEGMENT HIGHLIGHTS

- Net revenue up 4.2% constant currency and operating margin up over 330 basis points
- Four client extensions signed
- Record traditional AOF processed; Transactions up 7.3%

## Traditional Accounts on File

YOY Growth %

(in millions)

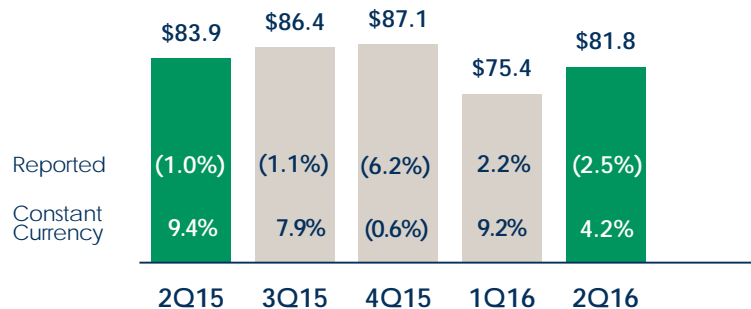


◆ Growth Including Single Use Accounts

## Segment Net Revenue<sup>(1)</sup>

YOY Growth %

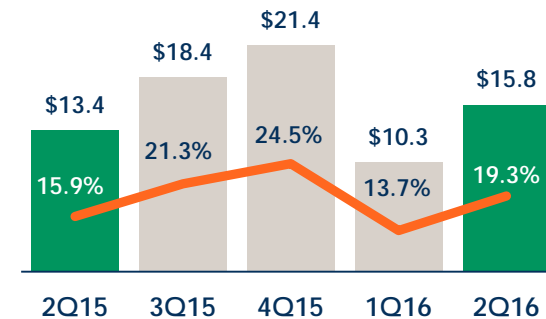
(\$ in millions)



## Adjusted Segment Operating Income<sup>(1)</sup>

Operating Margin<sup>(2)</sup>

(\$ in millions)



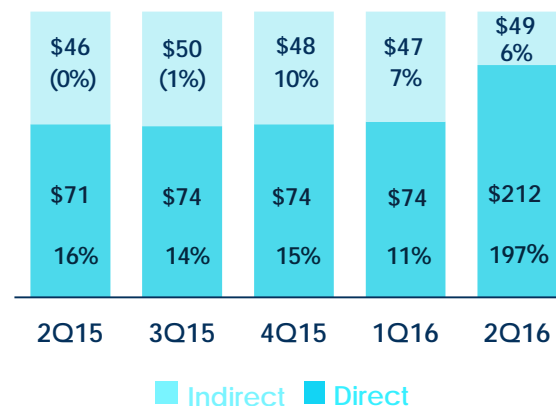
(1) Non-GAAP financial measure; See Appendix

(2) Net Revenue

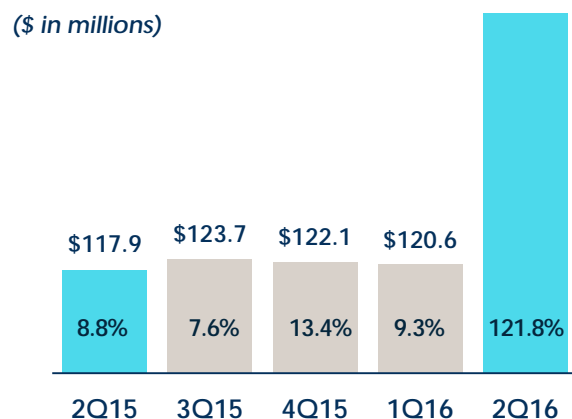
# 2016 Second Quarter MERCHANT SEGMENT HIGHLIGHTS

- TransFirst integration and synergy achievement are both on target
- Strong revenue growth driven by focus on SMB market and integrated channels
- Continued strong operating margin

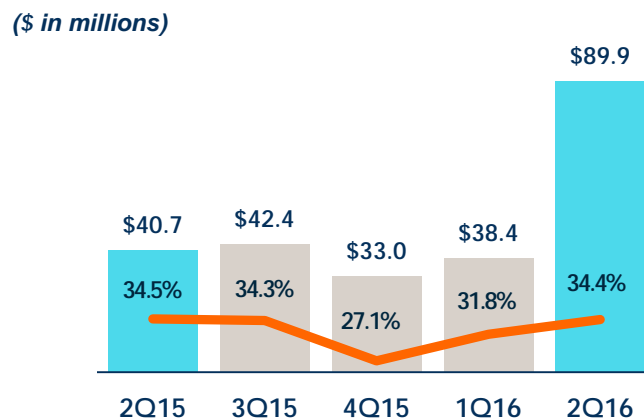
Segment Net Revenue by LOB<sup>(1)</sup>  
(\$ in millions)      YOY Growth %



Segment Net Revenue<sup>(1)</sup>  
YOY Growth %



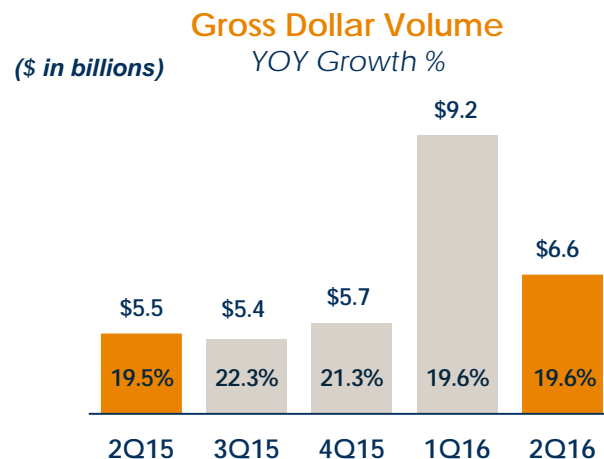
Adjusted Segment Operating Income<sup>(1)</sup>  
Operating Margin<sup>(2)</sup>



(1) Non-GAAP financial measure; See Appendix  
(2) Net Revenue

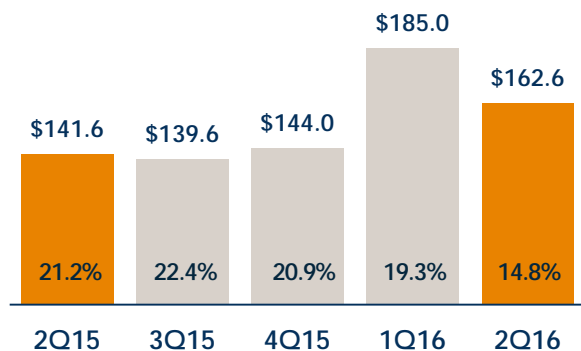
# 2016 Second Quarter NETSPEND SEGMENT HIGHLIGHTS

- Signed 10-year Blackhawk strategic partnership and 3-year CVS extension
- Grew direct deposit active cards by 16.6%
- Achieved double-digit revenue growth in 3 of 4 channels



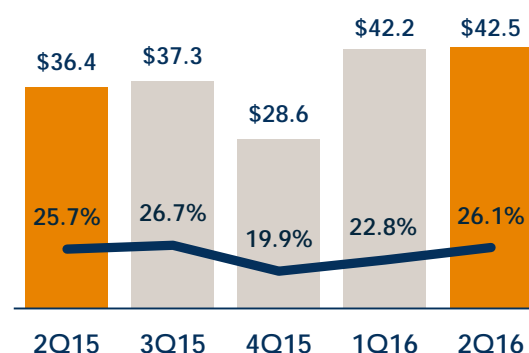
**Segment Net Revenue<sup>(1)</sup>**  
YOY Growth %

(\$ in millions)



**Adjusted Segment Operating Income<sup>(1)</sup>**  
Operating Margin<sup>(2)</sup>

(\$ in millions)



(1) Non-GAAP financial measure; See Appendix  
(2) Net Revenue

# 2016 Second Quarter SEGMENT OPERATING MARGIN AND CONSOLIDATED ADJUSTED OPERATING MARGIN

Three Months Ended June 30, 2016

<i>(in thousands)</i>	Adjusted Segment Operating Income <sup>(1)</sup>	Net Revenue <sup>(1)</sup>	Adjusted Operating Margin <sup>(1)</sup>
North America	\$112,737	\$297,168	37.94%
International	15,751	81,771	19.26%
Merchant	89,915	261,467	34.39%
NetSpend	42,481	162,620	26.12%
Intersegment	--	(8,089)	
Corporate administration excluding share-based compensation	(33,335)	--	
<b>Subtotal</b>	<b>\$227,549</b>	<b>\$794,937</b>	<b>28.62%</b>
Amortization of acquisition intangibles	(58,486)		
TransFirst M&A expenses <sup>(2)</sup>	(20,676)		
Share-based compensation	(12,566)		
<b>Operating income (US GAAP)</b>	<b>\$135,821</b>		

(1) Non-GAAP financial measure; See Appendix

(2) Costs associated with the TransFirst acquisition and integration which are included in selling general and administrative expenses

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# 2016 Second Quarter SEGMENT OPERATING MARGIN AND CONSOLIDATED ADJUSTED OPERATING MARGIN

Six Months Ended June 30, 2016

<i>(in thousands)</i>	Adjusted Segment Operating Income <sup>(1)</sup>	Net Revenue <sup>(1)</sup>	Adjusted Operating Margin <sup>(1)</sup>
North America	\$237,525	\$600,809	39.53%
International	26,040	157,125	16.57%
Merchant	128,272	382,079	33.57%
NetSpend	84,682	347,613	24.36%
Intersegment	--	(21,045)	
Corporate administration excluding share-based compensation	(62,802)	--	
<b>Subtotal</b>	<b>\$413,717</b>	<b>\$1,466,581</b>	<b>28.21%</b>
Amortization of acquisition intangibles	(81,407)		
TransFirst M&A expenses <sup>(2)</sup>	(24,078)		
Share-based compensation	(20,724)		
<b>Operating income (US GAAP)</b>	<b>\$287,508</b>		

(1) Non-GAAP financial measure. See Appendix

(2) Costs associated with the TransFirst acquisition and integration which are included in selling general and administrative expenses



Q&A



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# APPENDIX





## 2016 Second Quarter

# APPENDIX: Accounts on File Portfolio Summary

<i>(in millions)</i>	June 2016	June 2015	% Change	June 2016	March 2016	% Change
Consumer	425.3	400.5	6.2	425.3	414.8	2.5
Commercial	47.0	44.0	7.1	47.0	46.2	1.7
Other	28.8	24.0	19.6	28.8	27.8	3.7
Traditional AOF	501.1	468.5	7.0	501.1	488.8	2.5
Prepaid*/ Stored Value	79.5	133.1	(40.3)	79.5	103.1	(22.9)
Government Services	84.6	77.1	9.8	84.6	82.7	2.3
Commercial Card Single Use	76.9	72.7	5.8	76.9	75.9	1.3
Total AOF	<u>742.1</u>	<u>751.4</u>	<u>(1.2)</u>	<u>742.1</u>	<u>750.5</u>	<u>(1.1)</u>

\* Prepaid does not include NetSpend accounts

# APPENDIX: Non-GAAP Items – Net Revenue, Adjusted EBITDA and Adjusted EPS

- Net revenue is defined as total revenues less reimbursable items (such as postage), as well as, merchant acquiring interchange and assessment fees charged by the card associations or payment networks that are recorded by TSYS as expense.
- Adjusted EBITDA is net income excluding equity in income of equity investments, nonoperating income/(expense), taxes, depreciation, amortization and share-based compensation expenses and TransFirst merger & acquisition expenses.
- Adjusted EPS is adjusted earnings divided by weighted average shares outstanding used for basic EPS calculations. Adjusted earnings is net income excluding the after-tax impact of share-based compensation expenses, amortization of acquisition intangibles, and TransFirst merger & acquisition expenses.
- Adjusted segment operating income is operating income at the segment level adjusted for amortization of acquisition intangibles.
- Adjusted segment operating margin is adjusted segment operating income divided by segment net revenue.
- The Company believes that these non-GAAP financial measures it presents are useful to investors in evaluating the Company's operating performance for the following reasons:
  - adjusted EBITDA and adjusted EPS are widely used by investors to measure a company's operating performance without regard to items, such as interest expense, income tax expense, depreciation and amortization, merger and acquisition expenses and employee share-based compensation expense that can vary substantially from company to company depending upon their respective financing structures and accounting policies, the book values of their assets, their capital structures and the methods by which their assets were acquired; and
  - securities analysts use adjusted EBITDA and adjusted EPS as supplemental measures to evaluate the overall operating performance of companies.
- By comparing the Company's adjusted EBITDA and adjusted EPS in different historical periods, investors can evaluate the Company's operating results without the additional variations caused by employee share-based compensation expense, which may not be comparable from period to period due to changes in the fair market value of the Company's common stock (which is influenced by external factors like the volatility of public markets and the financial performance of the Company's peers) and is not a key measure of the Company's operations.
- The Company's management uses the non-GAAP financial measures:
  - as measures of operating performance, because they exclude the impact of items not directly resulting from the Company's core operations;
  - for planning purposes, including the preparation of the Company's annual operating budget;
  - to allocate resources to enhance the financial performance of the Company's business;
  - to evaluate the effectiveness of the Company's business strategies; and
  - in communications with the Company's board of directors concerning the Company's financial performance.

# APPENDIX: Non-GAAP Reconciliation – Net Revenue

(in thousands)

Three Months Ended			Six Months Ended	
<u>6/30/16</u>	<u>6/30/15</u>		<u>6/30/16</u>	<u>6/30/15</u>
\$1,151,587	\$692,652	Total revenues	\$1,890,965	\$1,354,808
66,137	70,568	Less reimbursable items	133,871	136,940
290,513	--	Less interchange and assessments expense*	290,513	--
<u>\$794,937</u>	<u>\$622,084</u>	Net revenue	<u>\$1,466,581</u>	<u>\$1,217,868</u>

\* Relates to acquisition of TransFirst, which closed April 1, 2016

## 2016 Second Quarter

# APPENDIX: Non-GAAP Reconciliation – Adjusted Segment Operating Income and Operating Margin

(in thousands)

	Three Months Ended		Six Months Ended	
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/16</u>	<u>6/30/15</u>
<b>Adjusted segment operating income</b>				
By segment: North America services (a)	\$112,737	\$108,385	\$237,525	\$210,956
International services (b)	15,751	13,353	26,040	20,336
Merchant services (c)	89,915	40,690	128,272	74,805
NetSpend (d)	42,481	36,442	84,682	71,909
Less: Acquisition intangible amortization	(58,486)	(22,852)	(81,407)	(46,718)
Less: Corporate admin and other	(45,901)	(45,416)	(83,526)	(78,190)
Less: TransFirst M&A expenses <sup>(1)</sup>	(20,676)	--	(24,078)	--
<b>Operating income</b>	<b>\$135,821</b>	<b>\$130,602</b>	<b>\$287,508</b>	<b>\$253,098</b>
<b>Net revenue</b>				
By segment: North America services (e)	\$297,168	\$287,199	\$600,809	\$553,418
International services (f)	81,771	83,857	157,125	157,587
Merchant services (g)	261,467	117,868	382,079	228,266
NetSpend (h)	162,620	141,621	347,613	296,695
Less: Intersegment revenues	(8,089)	(8,461)	(21,045)	(18,098)
Add: Reimbursable items	66,137	70,568	133,871	136,940
Add: Interchange and assessments expense	290,513	--	290,513	--
<b>Total revenues</b>	<b>\$1,151,587</b>	<b>\$692,652</b>	<b>\$1,890,965</b>	<b>\$1,354,808</b>
<b>Adjusted segment operating margin:</b>				
North America services (a) / (e)	37.94%	37.74%	39.53%	38.12%
International services (b) / (f)	19.26%	15.92%	16.57%	12.90%
Merchant services (c) / (g)	34.39%	34.52%	33.57%	32.77%
NetSpend (d) / (h)	26.12%	25.73%	24.36%	24.24%

(1) Costs associated with the TransFirst acquisition and integration which are included in selling, general and administrative

# APPENDIX: Non-GAAP Reconciliation – Constant Currency Net Revenue

<i>(in thousands)</i>	Three Months Ended		Percentage Change	Six Months Ended		Percentage Change
	<u>6/30/16</u>	<u>6/30/15</u>		<u>6/30/16</u>	<u>6/30/15</u>	
<b>Consolidated:</b>						
Constant currency <sup>(1)</sup>	\$800,586	\$622,084	28.7%	\$1,477,432	\$1,217,868	21.3%
Foreign currency impact <sup>(2)</sup>	(5,649)	--		(10,851)	--	
Net revenue	<u>\$794,937</u>	<u>\$622,084</u>	27.8%	<u>\$1,466,581</u>	<u>\$1,217,868</u>	20.4%
<b>International services:</b>						
Constant currency <sup>(1)</sup>	\$87,413	\$83,857	4.2%	\$167,911	\$157,587	6.6%
Foreign currency impact <sup>(2)</sup>	(5,642)	--		(10,786)	--	
Net revenue	<u>\$81,771</u>	<u>\$83,857</u>	(2.5%)	<u>\$157,125</u>	<u>\$157,587</u>	(0.3%)

(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.

# APPENDIX: Non-GAAP Reconciliation – Constant Currency Total Revenues

(in thousands)	Three Months Ended		Percentage Change	Six Months Ended		Percentage Change
	<u>6/30/16</u>	<u>6/30/15</u>		<u>6/30/16</u>	<u>6/30/15</u>	
<b>Consolidated:</b>						
Constant currency <sup>(1)</sup>	\$1,157,633	\$692,652	67.1%	\$1,902,607	\$1,354,808	40.4%
Foreign currency impact <sup>(2)</sup>	(6,046)	--		(11,642)	--	
<b>Total revenues</b>	<b><u>\$1,151,587</u></b>	<b><u>\$692,652</u></b>	<b>66.3%</b>	<b><u>\$1,890,965</u></b>	<b><u>\$1,354,808</u></b>	<b>39.6%</b>
<b>International services:</b>						
Constant currency <sup>(1)</sup>	\$93,549	\$89,618	4.4%	\$180,160	\$169,420	6.3%
Foreign currency impact <sup>(2)</sup>	(6,040)	--		(11,578)	--	
<b>Total revenues</b>	<b><u>\$87,509</u></b>	<b><u>\$89,618</u></b>	<b>(2.4%)</b>	<b><u>\$168,582</u></b>	<b><u>\$169,420</u></b>	<b>(0.5%)</b>

(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.

# 2016 Second Quarter

## APPENDIX: Non-GAAP Reconciliation – EBITDA and Adjusted EBITDA

(in thousands)

	Three Months Ended		Six Months Ended	
	6/30/16	6/30/15	6/30/16	6/30/15
<b>Net income :</b>				
<b>As reported (GAAP)</b>	\$71,748	\$83,375	\$164,156	\$162,274
<b>Adjust for:</b>				
Deduct: Equity in income of equity investments	(6,278)	(4,579)	(12,868)	(9,973)
Add: Income taxes	40,290	41,597	83,719	81,379
Add: Nonoperating expense	30,061	10,209	52,501	19,418
Add: Depreciation and amortization	104,969	63,905	172,552	126,720
<b>EBITDA</b>	\$240,790	\$194,507	\$460,060	\$379,818
<b>Adjust for:</b>				
Add: Share-based compensation	12,566	12,030	20,724	20,173
Add: TransFirst M&A expenses <sup>(1)</sup>	20,676	--	24,078	--
<b>Adjusted EBITDA</b>	\$274,032	\$206,537	\$504,862	\$399,991

(1) Costs associated with the TransFirst acquisition and integration which are included in selling, general and administrative expenses

## 2016 Second Quarter

# APPENDIX: Non-GAAP Reconciliation – Adjusted EPS

(in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	6/30/16	6/30/15	6/30/16	6/30/15
Income from continuing operations available to TSYS common shareholders:				
As reported (GAAP) (a)	\$69,708	\$82,839	\$160,336	\$160,594
Adjusted for amounts attributable to TSYS common shareholders:				
Add: Acquisition intangible amortization	58,210	22,576	80,855	46,167
Add: Share-based compensation	12,557	12,024	20,707	20,167
Add: TransFirst M&A expenses <sup>(1)</sup>	20,676	--	33,859	--
Less: Tax impact of adjustments <sup>(2)</sup>	(25,735)	(11,484)	(39,631)	(22,016)
Adjusted earnings (b)	\$135,416	\$105,955	\$256,126	\$204,912
Average common shares outstanding and participating securities (c)	183,724	183,829	183,489	184,153
Basic EPS Available to TSYS common shareholders (a) / (c)	\$0.38	\$0.45	\$0.87	\$0.87
Adjusted EPS Available to TSYS common shareholders (b) / (c)	\$0.74	\$0.58	\$1.40	\$1.11

(1) Costs associated with the TransFirst acquisition and integration which are included in selling, general and administrative expenses and nonoperating expenses.

(2) 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.



# APPENDIX: Non-GAAP Reconciliation – Trailing Twelve Months EBITDA and Adjusted EBITDA

(in thousands)

Net Income

Adjusted for:

Deduct: Discontinued operations

Deduct: Equity in Income of Equity Investments

Add: Income Taxes

Add: Nonoperating expense

Add: Depreciation and Amortization

EBITDA

Adjust for: Share-based compensation

TransFirst M&A Expenses<sup>(1)</sup>

Adjusted EBITDA

Trailing Twelve  
Months Ended  
6/30/2016

\$370,923

(1,411)

(25,003)

153,706

70,302

304,096

\$872,613

42,099

24,078

\$938,790

(1) Costs associated with the TransFirst acquisition and integration which are included in selling, general and administrative expenses