
TSYS
Financial Highlights
(unaudited)
(in thousands, except per share data)

| | Three Months Ended March 31, | | Percent Change |
|---|---------------------------------|----------|-------------------|
| | 2019 | 2018 | |
| Total revenues | \$ 1,034,531 | 987,170 | 4.8 % |
| Cost of services | 632,212 | 613,365 | 3.1 |
| Selling, general and administrative expenses | 179,049 | 185,534 | (3.5) |
| Total expenses | 811,261 | 798,899 | 1.5 |
| Operating income | 223,270 | 188,271 | 18.6 |
| Nonoperating expenses | (42,991) | (37,642) | (14.2) |
| Income before income taxes and equity in income of equity investments | 180,279 | 150,629 | 19.7 |
| Income tax expense | 29,899 | 18,135 | 64.9 |
| Income before equity in income of equity investments | 150,380 | 132,494 | 13.5 |
| Equity in income of equity investments, net of tax | 11,227 | 10,608 | 5.8 |
| Net income | 161,607 | 143,102 | 12.9 |
| Net income attributable to noncontrolling interests | - | (1,261) | 100.0 |
| Net income attributable to TSYS common shareholders | \$ 161,607 | 141,841 | 13.9 % |
| Earnings per share (EPS): | | | |
| Basic EPS | \$ 0.91 | 0.78 | 16.0 % |
| Diluted EPS | \$ 0.90 | 0.77 | 16.1 % |
| Weighted average shares outstanding: (includes participating securities) | | | |
| Basic | 178,435 | 181,612 | |
| Diluted | 179,886 | 183,298 | |
| Dividends declared per share | \$ 0.13 | 0.13 | |
| <u>Non-GAAP measures:</u> * | | | |
| Net revenue | \$ 980,270 | 935,497 | 4.8 % |
| Adjusted EBITDA | \$ 357,287 | 330,922 | 8.0 % |
| Adjusted earnings | \$ 215,446 | 207,586 | 3.8 % |
| Adjusted diluted EPS | \$ 1.20 | 1.13 | 5.8 % |

* See reconciliation of non-GAAP measures.

| TSYS Segment Breakdown (unaudited) (in thousands) | | | | |
|---|------------------------------|-----------------|----------------|---------------|
| | Three Months Ended March 31, | | | |
| | 2019 | 2018 | Change | |
| | | | \$ | % |
| Adjusted segment EBITDA: | | | | |
| Issuer Solutions (a) | \$ 204,934 | 195,764 | 9,170 | 4.7 % |
| Merchant Solutions (b) | 128,836 | 118,940 | 9,896 | 8.3 |
| Consumer Solutions (c) | 63,693 | 53,667 | 10,026 | 18.7 |
| Corporate admin and other | (40,176) | (37,449) | (2,727) | (7.3) |
| Total (d) | <u>357,287</u> | <u>330,922</u> | <u>26,365</u> | <u>8.0</u> |
| Less: | | | | |
| Share-based compensation | 10,714 | 6,295 | 4,419 | 70.2 |
| Cayan and TransFirst M&A and integration expenses | 3,710 | 14,368 | (10,658) | (74.2) |
| Depreciation and amortization | 103,710 | 104,389 | (679) | (0.7) |
| Client incentive/contract cost amortization | 8,038 | 6,874 | 1,164 | 16.9 |
| Contract cost asset amortization | 7,845 | 10,726 | (2,881) | (26.9) |
| Operating income | <u>223,270</u> | <u>188,270</u> | <u>35,000</u> | <u>18.6</u> |
| Nonoperating expenses | <u>(42,991)</u> | <u>(37,641)</u> | <u>(5,350)</u> | <u>(14.2)</u> |
| Income before income taxes and equity in income of equity investments | <u>\$ 180,279</u> | <u>150,629</u> | <u>29,650</u> | <u>19.7 %</u> |
| Net revenue by segment: | | | | |
| Issuer Solutions (e) | \$ 433,473 | 423,574 | 9,899 | 2.3 % |
| Merchant Solutions (f) | 342,956 | 317,403 | 25,553 | 8.1 |
| Consumer Solutions (g) | 219,178 | 210,489 | 8,689 | 4.1 |
| Segment net revenue | <u>995,607</u> | <u>951,466</u> | <u>44,141</u> | <u>4.6</u> |
| Less: Intersegment revenues | <u>15,337</u> | <u>15,969</u> | <u>(632)</u> | <u>(4.0)</u> |
| Net revenue (h) | <u>980,270</u> | <u>935,497</u> | <u>44,773</u> | <u>4.8</u> |
| Add: reimbursable items | <u>54,261</u> | <u>51,673</u> | <u>2,588</u> | <u>5.0</u> |
| Total revenues | <u>\$ 1,034,531</u> | <u>987,170</u> | <u>47,361</u> | <u>4.8 %</u> |
| Adjusted segment EBITDA margin on segment net revenue: | | | | |
| Issuer Solutions (a)/(e) | <u>47.3%</u> | <u>46.2%</u> | | |
| Merchant Solutions (b)/(f) | <u>37.6%</u> | <u>37.5%</u> | | |
| Consumer Solutions (c)/(g) | <u>29.1%</u> | <u>25.5%</u> | | |
| Adjusted EBITDA margin on net revenue (d)/(h) | <u>36.4%</u> | <u>35.4%</u> | | |

- more -

| TSYS Segment Breakdown (unaudited) (in thousands) | | | | |
|--|------------|---------|---------|---------|
| Three Months Ended March 31, | | | | |
| | 2019 | 2018 | Change | |
| | | | \$ | % |
| Depreciation and amortization by segment: | | | | |
| Issuer Solutions | \$ 35,167 | 28,331 | 6,836 | 24.1 % |
| Merchant Solutions | 7,682 | 7,825 | (143) | (1.8) |
| Consumer Solutions | 4,416 | 4,259 | 157 | 3.7 |
| Depreciation and amortization | 47,265 | 40,415 | 6,850 | 16.9 |
| Acquisition intangible amortization | 54,957 | 63,023 | (8,066) | (12.8) |
| Corporate admin and other | 1,488 | 951 | 537 | 56.5 |
| Total depreciation and amortization | \$ 103,710 | 104,389 | (679) | (0.7) % |

Segment statistical data:Issuer Solutions

| | | | | |
|--|---------|---------|--------|---------|
| Total transactions (in millions) | 5,948.9 | 5,547.9 | 401.0 | 7.2 % |
| Total Accounts on File (AOF) (in millions) | 756.0 | 811.3 | (55.3) | (6.8) % |
| Total Traditional AOF (in millions) | 628.2 | 578.6 | 49.6 | 8.6 % |

Merchant Solutions

| | | | | |
|--|-------------|----------|---------|---------|
| Point-of-sale transactions (in millions) | 1,524.3 | 1,339.6 | 184.7 | 13.8 % |
| Dollar sales volume (in millions) | \$ 40,241.6 | 37,266.7 | 2,974.9 | 8.0 % |
| Segment net revenue per transaction | \$ 0.225 | 0.237 | (0.012) | (5.1) % |

Consumer Solutions

| | | | | |
|---|-------------|---------|-------|-------|
| Gross dollar volume (in millions) | \$ 10,053.5 | 9,690.0 | 363.5 | 3.8 % |
| Direct deposit 90-day active cards (in thousands) | 2,681.5 | 2,669.9 | 11.6 | 0.4 % |
| 90-day active cards (in thousands) | 5,226.9 | 5,225.5 | 1.4 | 0.0 % |
| % of 90-day active cards with direct deposit | 51.3% | 51.1% | | |

- more -

TSYS
Condensed Balance Sheet
(unaudited)
(in thousands)

| | March 31, 2019 | December 31, 2018 |
|---|---------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 494,646 | 471,156 |
| Accounts receivable, net | 490,045 | 450,322 |
| Contract assets | 44,473 | 30,950 |
| Other current assets | 200,229 | 188,355 |
| Total current assets | <u>1,229,393</u> | <u>1,140,783</u> |
| Goodwill | 4,115,380 | 4,114,838 |
| Software and other intangible assets, net | 1,288,454 | 1,331,238 |
| Property and equipment, net | 385,400 | 383,074 |
| Operating lease right-of-use assets, net | 206,239 | - |
| Contract assets - long-term | 53,865 | 47,839 |
| Contract cost assets - long-term | 147,342 | 145,598 |
| Other long term assets | 348,059 | 305,339 |
| Total assets | <u>\$ 7,774,132</u> | <u>7,468,709</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | \$ 73,061 | 97,956 |
| Current portion of long-term borrowings, finance leases and license agreements | 38,710 | 29,125 |
| Current portion of operating lease liabilities | 49,469 | - |
| Contract liabilities | 54,581 | 47,227 |
| Other current liabilities | 349,556 | 341,293 |
| Total current liabilities | <u>565,377</u> | <u>515,601</u> |
| Long-term borrowings, finance leases and license agreements, excluding current portion | 4,180,733 | 3,889,541 |
| Long-term operating lease liabilities, excluding current portion | 168,505 | - |
| Deferred income tax liabilities | 409,706 | 380,278 |
| Contract liabilities - long-term | 23,805 | 21,489 |
| Other long-term liabilities | 73,246 | 75,894 |
| Total liabilities | <u>5,421,372</u> | <u>4,882,803</u> |
| Equity | <u>2,352,760</u> | <u>2,585,906</u> |
| Total liabilities and equity | <u>\$ 7,774,132</u> | <u>7,468,709</u> |

- more -

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

| | Three Months Ended March 31, | |
|--|------------------------------|--------------------|
| | 2019 | 2018 |
| Cash flows from operating activities: | | |
| Net income | \$ 161,607 | 143,102 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Equity in income of equity investments, net of tax | (11,227) | (10,608) |
| Depreciation and amortization | 103,710 | 104,389 |
| Amortization of debt issuance costs | 1,322 | 1,035 |
| Amortization of operating lease right-of-use assets | 12,654 | - |
| Share-based compensation | 10,714 | 6,295 |
| Deferred income tax expense | 27,745 | 15,180 |
| Other noncash adjustments | 17,158 | 19,775 |
| Changes in operating assets and liabilities | (96,094) | (67,275) |
| Net cash provided by operating activities | 227,589 | 211,893 |
| Purchases of property and equipment | (19,396) | (22,069) |
| Additions to licensed computer software from vendors | (48,628) | (13,827) |
| Additions to internally developed computer software | (12,405) | (10,340) |
| Cash used in acquisitions, net of cash acquired | - | (1,036,853) |
| Other investing activities | (2,350) | (1,550) |
| Net cash used in investing activities | (82,779) | (1,084,639) |
| Principal payments on long-term borrowings, finance lease obligations and license agreements | (157,324) | (129,010) |
| Proceeds from long-term borrowings | 450,000 | 1,040,000 |
| Dividends paid on common stock | (23,456) | (23,496) |
| Proceeds from exercise of stock options | 6,466 | 26,461 |
| Repurchase of common stock | (400,013) | (24) |
| Other financing activities | - | (1) |
| Net cash (used in) provided by financing activities | (124,327) | 913,930 |
| Cash, cash equivalents and restricted cash: | | |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | 2,049 | 1,684 |
| Net increase in cash, cash equivalents and restricted cash | 22,532 | 42,868 |
| Cash, cash equivalents and restricted cash at beginning of period | 474,279 | 451,370 |
| Cash, cash equivalents and restricted cash at end of period | \$ 496,811 | 494,238 |
| Supplemental | | |
| Capital expenditures | \$ 80,429 | 46,236 |
| Free cash flow (non-GAAP)* | \$ 147,160 | 165,657 |

* See reconciliation of non-GAAP measures.

- more -

TSYS
Supplemental Information
(unaudited)

Other**Accounts on File (AOF):**

| <i>(in millions)</i> | Total Accounts on File | | |
|----------------------------|------------------------|------------------|-------------------|
| | At March 2019 | At March 2018 | Percent Change |
| Consumer | 523.0 | 486.5 | 7.5 % |
| Commercial | 60.2 | 55.2 | 8.9 |
| Other | 45.0 | 36.9 | 22.2 |
| Traditional AOF | 628.2 | 578.6 | 8.6 |
| Prepaid*/Stored Value | 11.5 | 38.7 | (70.3) |
| Commercial Card Single Use | 116.3 | 97.5 | 19.3 |
| Government Services | - | 96.5 | (100.0) |
| Total AOF | <u>756.0</u> | <u>811.3</u> | (6.8) % |

* Prepaid does not include Consumer Solutions accounts.

Growth in AOF:

| <i>(in millions)</i> | March 2018 to March 2019 | March 2017 to March 2018 |
|-------------------------------------|-----------------------------|-----------------------------|
| Beginning balance | 811.3 | 762.0 |
| Change in accounts on file due to: | | |
| Internal growth of existing clients | 57.2 | 53.5 |
| New clients | 29.2 | 31.8 |
| Purges/Sales | (24.0) | (34.9) |
| Deconversions | (117.7) | (1.1) |
| Ending balance | <u>756.0</u> | <u>811.3</u> |

- more -

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 2019 financial results using the previous year's foreign currency exchange rates. On a constant currency basis, TSYS' total revenues for the first quarter of 2019 were higher 5.6% as compared to a reported GAAP increase of 4.8%.

The schedules below also provide a reconciliation of total revenues to net revenue.

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 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 2019 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 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.

Reconciliation of GAAP to Non-GAAP

| Constant Currency Comparison (unaudited) (in thousands) | | | |
|---|------------------------------|----------------|-------------------|
| | Three Months Ended March 31, | | |
| | 2019 | 2018 | Percent Change |
| <u>Consolidated</u> | | | |
| Total revenues (GAAP) | \$ 1,034,531 | 987,170 | 4.8 % |
| Foreign currency impact ⁽¹⁾ | 8,270 | - | |
| Constant currency ⁽²⁾ (non-GAAP) | <u>\$ 1,042,801</u> | <u>987,170</u> | 5.6 % |
| Net revenue (non-GAAP) | \$ 980,270 | 935,497 | 4.8 % |
| Foreign currency impact ⁽¹⁾ | 7,706 | - | |
| Constant currency ⁽²⁾ (non-GAAP) | <u>\$ 987,976</u> | <u>935,497</u> | 5.6 % |
| Operating income (GAAP) | \$ 223,270 | 188,271 | 18.6 % |
| Foreign currency impact ⁽¹⁾ | 1,897 | - | |
| Constant currency ⁽²⁾ (non-GAAP) | <u>\$ 225,167</u> | <u>188,271</u> | 19.6 % |
| <u>Issuer Solutions</u> | | | |
| Segment net revenue (GAAP) | \$ 433,473 | 423,574 | 2.3 % |
| Foreign currency impact ⁽¹⁾ | 7,847 | - | |
| Constant currency ⁽²⁾ (non-GAAP) | <u>\$ 441,320</u> | <u>423,574</u> | 4.2 % |

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

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

| Net Revenue (unaudited) (in thousands) | | | |
|--|------------------------------|----------------|-------------------|
| | Three Months Ended March 31, | | |
| | 2019 | 2018 | Percent Change |
| Total revenues | \$ 1,034,531 | 987,170 | 4.8 % |
| Less: reimbursable items | 54,261 | 51,673 | 5.0 |
| Net revenue | <u>\$ 980,270</u> | <u>935,497</u> | 4.8 % |

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, | | |
| | 2019 | 2018 | Percent Change |
| Net income attributable to | | | |
| TSYS common shareholders (GAAP) | \$ 161,607 | 141,841 | 13.9 % |
| Adjust for amounts attributable to TSYS common shareholders: | | | |
| Add: Acquisition intangible amortization | 54,957 | 62,988 | (12.8) |
| Add: Share-based compensation | 10,714 | 6,294 | 70.2 |
| Add: Cayan and TransFirst M&A and integration expenses* | 3,710 | 14,368 | (74.2) |
| Less: Tax impact of adjustments** | (15,542) | (17,905) | 13.2 |
| Adjusted earnings (non-GAAP) | <u>\$ 215,446</u> | <u>207,586</u> | 3.8 % |
| Diluted EPS - Net income attributable to | | | |
| TSYS common shareholders | | | |
| As reported (GAAP) | <u>\$ 0.90</u> | <u>0.77</u> | 16.1 % |
| Adjusted diluted EPS (non-GAAP) | <u>\$ 1.20</u> | <u>1.13</u> | 5.8 % |
| Weighted average diluted shares outstanding | <u>179,886</u> | <u>183,298</u> | |

* Costs associated with the Cayan and TransFirst acquisitions and integrations are included in selling, general and administrative expenses and nonoperating expenses.

** Certain of these merger and acquisition costs are nondeductible for income tax purposes.

- more -

Reconciliation of GAAP to Non-GAAP

| | Adjusted EBITDA (unaudited) (in thousands) | | |
|--|--|----------------|-------------------|
| | Three Months Ended March 31, | | |
| | 2019 | 2018 | Percent Change |
| Net income (GAAP) (a) | \$ 161,607 | 143,102 | 12.9 % |
| Adjust for: | | | |
| Less: Equity in income of equity investments | (11,227) | (10,608) | (5.8) |
| Add: Income tax expense | 29,899 | 18,135 | 64.9 |
| Add: Interest expense, net | 42,769 | 36,652 | 16.7 |
| Add: Depreciation and amortization | 103,710 | 104,389 | (0.7) |
| Add: Client incentive/contract asset amortization | 8,038 | 6,874 | 16.9 |
| Add: Contract cost asset amortization | 7,845 | 10,726 | (26.9) |
| Add: Loss on foreign currency translations | 1,138 | 427 | nm |
| Less/Add: Other nonoperating (income)/expenses | (916) | 562 | nm |
| Add: Share-based compensation | 10,714 | 6,295 | 70.2 |
| Add: Cayan and TransFirst M&A and integration expenses* | 3,710 | 14,368 | (74.2) |
| Adjusted EBITDA (non-GAAP) (b) | <u>\$ 357,287</u> | <u>330,922</u> | 8.0 % |
| Total revenues (c) | \$ 1,034,531 | 987,170 | 4.8 % |
| Net income margin on total revenues (GAAP) (a)/(c) | <u>15.6%</u> | <u>14.5%</u> | |
| Net revenue (d) | \$ 980,270 | 935,497 | 4.8 % |
| Adjusted EBITDA margin on net revenue (non-GAAP) (b)/(d) | <u>36.4%</u> | <u>35.4%</u> | |

* Costs associated with the Cayan and TransFirst acquisitions and integrations are included in selling, general and administrative expenses.

nm = not meaningful

- more -

Reconciliation of GAAP to Non-GAAP

| Free cash flow: | Free Cash Flow (unaudited) (in thousands) | |
|--|---|----------------|
| | Three Months Ended March 31, | |
| | 2019 | 2018 |
| Net cash provided by operating activities (GAAP) | \$ 227,589 | 211,893 |
| Capital expenditures | (80,429) | (46,236) |
| Free cash flow (non-GAAP) | <u>\$ 147,160</u> | <u>165,657</u> |

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

| Revenue: | 2019 | | % Change | | |
|--------------------------|-----------------|--------------------|----------|----|----|
| Total revenues (GAAP) | \$ 4,190 | to \$ 4,290 | 4% | to | 6% |
| Less: reimbursable items | 200 | to 200 | | | |
| Net revenue (non-GAAP) | <u>\$ 3,990</u> | to <u>\$ 4,090</u> | 5% | to | 7% |

Earnings per share (EPS):

| | | | | | |
|---|-------------|----------------|-----|----|-----|
| Diluted EPS (GAAP) | \$ 3.48 | to \$ 3.63 | 11% | to | 16% |
| Acquisition intangible amortization, share-based compensation, litigation, claims, judgments or settlements and Cayan and TransFirst M&A and integration expenses, less the tax impact of adjustments | <u>1.27</u> | to <u>1.27</u> | | | |
| Adjusted diluted EPS attributable to TSYS common shareholders* (non-GAAP) | \$ 4.75 | to \$ 4.90 | 6% | to | 10% |