

# First Quarter 2017 Financial Results Conference Call

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April 26, 2017

# 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 growth,” “free cash flow per share” and “adjusted operating margin.” 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 market and economic conditions on the financial services industry; 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; 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, 2016 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,” “free cash flow” and “free cash flow per share.” 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-17 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
1Q-17	\$1,320	\$1,304	\$1.25
1Q-16	\$1,253	\$1,249	\$1.06
Change	5%	4%	18%

\$ in millions, except per share amounts.

See appendix for information regarding non-GAAP measures.

# Other Financial Metrics

	Free Cash Flow Per Share	Adjusted Operating Margin
1Q-17	\$1.67	32.5%
1Q-16	\$1.31	31.9%
Change	27%	60 bps

See appendix for information regarding non-GAAP measures.

# Internal Revenue Growth by Segment

Segment	1Q-17
Payments	5%
Financial	4%
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Total Company	4%

See appendix for information regarding non-GAAP measures.

# Adjusted Operating Margin by Segment

Segment	1Q-17	1Q-16	Change
Payments	36.2%	33.5%	270 bps
Financial	31.6%	32.6%	(100) bps
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Total Company	32.5%	31.9%	60 bps

See appendix for information regarding non-GAAP measures.

# 2017 Performance Outlook

## Key Financial Metrics

## Growth

Internal Revenue

4 - 5%

Adjusted EPS

14 - 17%

## Other Financial Metrics

## Target

Free Cash Flow Per Share

> \$5.45

Adjusted Operating Margin Expansion

> 50 bps



# 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 2017, acquired revenue was \$16 million (\$14 million in the Payments segment and \$2 million in the Financial segment), and revenue in the comparable prior year period attributable to dispositions was \$4 million (all in the Financial segment).

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

# Adjusted EPS

	<u>1Q-17</u>	<u>1Q-16</u>
GAAP EPS	\$ 1.13	\$ 1.27
Adjustments – net of income taxes:		
Merger, integration and other costs <sup>1</sup>	0.04	0.05
Severance costs	0.04	0.01
Amortization of acquisition-related intangible assets	0.12	0.12
StoneRiver and other investment activity <sup>2</sup>	(0.08)	(0.39)
Adjusted EPS	<u>\$ 1.25</u>	<u>\$ 1.06</u>

Earnings per share is calculated using actual, unrounded amounts.

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

<sup>1</sup>Merger, integration and other costs include acquisition and related integration costs and certain costs associated with the achievement of the company's operational effectiveness objectives, including expenses related to data center consolidation activities.

<sup>2</sup>Represents the company's share of net gains on the sales of a subsidiary business and a business interest at StoneRiver Group L.P., a joint venture in which the company owns a 49% interest, as well as a non-cash write-off of a \$7 million investment in the first quarter of 2016.

# Free Cash Flow Per Share

	<u>1Q-17</u>	<u>1Q-16</u>
Net cash provided by operating activities	\$ 463	\$ 509
Capital expenditures	(76)	(72)
Adjustments:		
Severance, merger and integration payments	20	8
StoneRiver cash distributions	(31)	(140)
Other	(3)	—
Tax payments on adjustments	(7)	(7)
Free cash flow	<u>\$ 366</u>	<u>\$ 298</u>
Diluted shares	<u>219.2</u>	<u>227.3</u>
Free cash flow per share	<u>\$ 1.67</u>	<u>\$ 1.31</u>

In millions, except per share amounts. Free cash flow per share is calculated using actual, unrounded amounts.

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

# Adjusted Revenue and Adjusted Operating Income

## Total Company

	<u>1Q-17</u>	<u>1Q-16</u>
Revenue	\$ 1,394	\$ 1,331
Output Solutions postage reimbursements	(75)	(78)
Deferred revenue purchase accounting adjustments	1	—
Adjusted revenue	<u>\$ 1,320</u>	<u>\$ 1,253</u>
Operating income	\$ 365	\$ 339
Merger, integration and other costs	14	16
Severance costs	12	4
Amortization of acquisition-related intangible assets	38	40
Adjusted operating income	<u>\$ 429</u>	<u>\$ 399</u>
Operating margin	26.2%	25.5%
Adjusted operating margin	32.5%	31.9%

\$ 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-17	1Q-16
Revenue	\$ 794	\$ 749
Output Solutions postage reimbursements	(75)	(78)
Deferred revenue purchase accounting adjustments	1	—
Adjusted revenue	<u>\$ 720</u>	<u>\$ 671</u>
Operating income	\$ 259	\$ 225
Merger, integration and other costs	1	—
Adjusted operating income	<u>\$ 260</u>	<u>\$ 225</u>
Operating margin	32.7%	30.0%
Adjusted operating margin	36.2%	33.5%

\$ 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

## Financial Segment

	1Q-17	1Q-16
Revenue	<u>\$ 620</u>	<u>\$ 599</u>
Operating income	<u>\$ 196</u>	<u>\$ 195</u>
Operating margin	31.6%	32.6%

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

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