

Q3 2019 Earnings Call

Company Participants

- Ajay Banga, President and Chief Executive Officer
- Sachin Mehra, Chief Financial Officer
- Warren Kneeshaw, Executive Vice President of Investor Relations

Other Participants

- Ashwin Shirvaikar, Analyst
- Brett Huff, Analyst
- Christopher Donat, Analyst
- Craig Maurer, Analyst
- Darrin Peller, Analyst
- David Koning, Analyst
- Donald Fandetti, Analyst
- Harshita Rawat, Analyst
- James Friedman, Analyst
- Lisa Ellis, Analyst
- Ramsey El-Assal, Analyst
- Robert Napoli, Analyst
- Tien-tsin Huang, Analyst

Presentation

Operator

Ladies and gentlemen, thank you for standing by. And welcome to Mastercard Incorporated Third Quarter 2019 Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers presentation, there will be a question-and-answer session. (Operator Instructions) Please be advise that today's conference is being recorded. (Operator Instructions)

Thank you. I will now like to hand the conference over to your speaker today, Warren Kneeshaw, Head of Investor Relations. Please go ahead.

Warren Kneeshaw {BIO 16549173 <GO>}

Thank you, Mellisa, and good morning, everyone. Thank you for joining us for our third quarter 2019 earnings call. With me today are Ajay Banga, our President and Chief Executive Officer; and Sachin Mehra, our Chief Financial Officer. Following comments

from Ajay and Sachin, the operator will announce your opportunity to get into the queue for the Q&A session. It is only then that the queue will open for questions.

You can access our earnings release, supplemental performance data and the slide deck that accompany this call in the Investor Relations section of our website, [mastercard.com](https://www.mastercard.com). Additionally, the release was furnished with the SEC earlier this morning.

Our comments today regarding our financial results will be on a non-GAAP currency-neutral basis unless otherwise noted. As a reminder, in Q2 we updated our non-GAAP methodology that exclude the impact of gains or losses on our equity investments. We are excluding these items as we believe this will facilitate a better understanding of our operating performance and provide a meaningful comparison of our results between periods. Our non-GAAP measures also exclude the impact of special items, which represent litigation judgments and settlements and certain one-time items. In addition, we present growth rates adjusted for the impact of foreign currency. Both the release and the slide deck include reconciliations of non-GAAP measures to GAAP reported amounts.

Finally, as set forth in more detail in our earnings release, I would like to remind everyone that today's call will include forward-looking statements regarding Mastercard's future performance. Actual performance could differ materially from these forward-looking statements. Information about the factors that could affect future performance are summarized at the end of our earnings release and in our recent SEC filings. A replay of this call will be posted on our website for 30 days.

With that, I will now turn the call over to Ajay Banga.

Ajay Banga {BIO 4676567 <GO>}

Thanks, Warren, and good morning, everybody. So we drove strong results this quarter, revenue up 16%, EPS up 23% versus a year ago on a non-GAAP currency-neutral basis, growth was broad-based and reflects our focus on execution, robust business drivers across the Board and ongoing investment in our business for the long-term.

On the macroeconomic environment, our view is kind of unchanged. That is that consumer spending remains relatively strong with some moderation versus 2018. We, obviously, like everyone else monitoring ongoing trade negotiations and other economic and geopolitical factors, which are showing signs of weighing on business sentiment in particular. Now the US economic growth remains stable, with low unemployment and solid consumer confidence, retail sales were pretty consistent with the prior quarter, growing at 3.8% versus a year ago ex-auto, ex-gas, according to our SpendingPulse estimates.

In Europe, we see modest growth overall. Third quarter total retail spending in the UK were solid according to our SpendingPulse estimates, while uncertainty around the potential impact of Brexit obviously remains. It's a daily drama being played out on television.

In Asia-Pacific, we are monitoring the impact of the US-China trade negotiations, which are negatively affecting business sentiment in the region. We are, however, seeing accommodative monetary policies in several markets there to support growth.

And in Latin America, the outlook is mixed with countries like Brazil and Colombia showing some positive signs, but weakness in Argentina and Mexico. So that's the backdrop, and against that, we are driving healthy double-digit volume and transaction growth for Mastercard across most of our markets with momentum in our core product areas in services and in new payment flows.

So let's dive into some recent business highlights. First, core products, we are driving growth in our core products with new and renewed customer relationships across credit, debit, prepaid and commercial. I'm pleased to announce that we have extended our global agreement with Citi for an additional five years through 2029. With this we will remain Citi's exclusive global partner in Citi branded consumer credit, debit and small business.

We're also continuing to build upon our strong partnership with Citi's Treasury and Trade Solutions group where we are working together to expand the breadth of services provided to Citi's corporate clients, including through the use of Mastercard's payments gateway. And together, I think, these position us to partner even more closely over the next decade on digital initiatives, on driving consumer credit and debit growth on B2B and the development of new payment solutions and joint marketing efforts to continue growing our businesses together.

We've also extended our global deal with HSBC for its premier credit portfolio focused on the high-net-worth segment and that builds on our existing partnership, which includes products like the HSBC Rewards Card that we launched in the UK and the multi-currency debit card launched in Hong Kong last month. HSBC is another great example of a customer that leverages several Mastercard services like Advisors, MasterCard Lab and Loyalty to bring value to its customers and drive growth across its account base.

With Bank of America, we have renewed and expanded many of our business lines across consumer and small business credit and debit in the United States, including brand exclusivity on the forward issuance of small business credit and the small business travel card. We will work together towards continued growth in our debit and commercial business. In particular, with Mastercard as the primary network on new commercial business outside of the United States. Additionally, Bank of America has committed to being our next Mastercard Track B2B Hub customer, bringing enhanced account payable capabilities to its clients in the United States.

H&R Block has renewed its agreement to offer Mastercard prepaid cards and additionally we'll be piloting our APT Test & Learn capabilities, and new data fraud tools.

On the US co-brand front this quarter, we won a flip of the BMW consumer credit co-brand portfolio and we're making further progress in Europe, extending our debit agreement with Intesa Sanpaol in Italy, which is committed to converting more than 6

million Maestro cards to Mastercard debit. We've also expanded our relationship with UniCredit to become its preferred Pan-European partner.

In other markets, we are building on our momentum of issuers, merchants and diverse partners like telcos. You can see that in Latin America where we've executed a regional deal with Scotiabank and we'll be converting debit cards in several Caribbean markets to Mastercard.

In India, where we won an exclusive consumer credit co-brand with IndiGo Airlines, the country's largest airline. And in Africa where Airtel will exclusively use Mastercard's network for its prepaid virtual cards and QR capabilities from mobile wallets across 11 markets there.

Now, specifically related to our core commercial business, we've expanded our relationship with Brex. You know them as an innovator in the corporate space, and now we will be their preferred network in the US. We've also inked a 10-year deal with Emirates Islamic Bank to be its exclusive commercial credit network across the UAE.

And to our efforts to partner with local switches to increase the transaction that we switch, we are the first Internet national network to receive Central Bank approval and have begun domestic switching our Mastercard branded debit cards in Indonesia through an agreement with the largest domestic switch Artajasa.

Now coming to digital initiatives click-to-pay, which is the name for the EMV secure remote commerce standard is now live in the US, aiming at enabling a faster, most secure checkout experience across the web and mobile sites, mobile apps and connected devices. Rocket Time, Movember, Cinemark are the first merchants to the launch, together with distribution partners such as IDM, FIS, Global Payments, and Stripe. We are planning for a broader market launch in the first half of 2020 with click-to-pay, Mastercard's merchant partners would benefit from automatic access to NuDetect, a Mastercard artificial intelligence and merchant -- machine learning solution that provides an added layer of security when consumer was stuck out using Mastercard or click-to-pay.

On the fintech front, we've strengthened existing partnerships and winning new deals around the globe by leveraging our technology and relationships in new ways to support these customers who have very specific needs. And a couple of examples include an expanded global partnership with Revolut, which has been a Mastercard issuer for several years in Europe and we first launch its cards in the US with Mastercard by the end of the year, followed by other markets across Asia-Pacific and Latin America.

Monzo has selected Mastercard to be its exclusive debit partner for its US launch and SoFi has also chosen Mastercard for its credit and debit programs. Now, additionally, we expanded our Accelerate program to the US, providing local fintechs with support through all stages of growth, with easy access to a range of programs, including our digital first solutions, our API and development programs, and our start-up engagement platform Start Path.

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In our new payment flows and as you know we've developed and acquired a broad set of capabilities, which together with our card rails allow us to differentiate our offerings and address new payment flows and operate as a one-stop shop for our customers providing choice across multiple rails. In this quarter, we announced our intent to acquire the clearing and instant payment services and e-billing solution of the Nets' Corporate services businesses in the Nordics as we capitalize on the large global real-time payments opportunity.

Real-time payments provide a smarter and faster alternative to traditional ACH, cash and checks to bring efficiency, much richer data, and a much better user experience. We believe Nets will complement and strengthen our existing capabilities across all three layers of our strategy, which as you recall from Investor Day would offer infrastructure applications for end-users and value-added services for account payment trails. Now this builds upon prior real-time payment wins, including in the Philippines, Peru, Saudi Arabia, and our partnership with P27 to deliver real-time and batch payments in the Nordics. We've talked about these in prior earnings calls and on Investor Day.

In the meantime, we are progressing our B2B initiatives. I already mentioned Bank of America signing up for the B2B Hub in the US. First Hawaiian Bank has also agreed to be our customer. And as we discussed at our Investor Day, we are addressing business payments more comprehensively, both accounts payable and accounts receivables, with Mastercard Track Business Payment Service. To solve for the complexities involved with B2B payments, this service will help companies find businesses that they need to pay, operate within a known set of standards and rules, provide full and rich remittance data, and offer a single connection with access to multiple payment types and rails.

We showed you one of the use cases that runs on real-time payment rails, payments on delivery. This is the one where drivers who are delivering goods through a physical store can be paid electronically real-time by buyers who can manage all of their invoices and payments more efficiently. I'm pleased to announce that BNC is the first bank to pilot this capability with its customers in the US.

As a multi-rail network, we're also able to offer services to our customers based on account-to-account flows. So for example, we already have customers in the UK benefiting from data insights, we are able to provide with our broad view through VocaLink. This helps them with anti-money laundering compliance and identification and prevention of other financial crimes. Continuing with the idea of expanding these services outside of the UK, the clearing house has just announced that it will launch our base financial crime solution for AML compliance in the US. And as previously announced, we will be launching these services in the Philippines as well as part of our real-time payment infrastructure there.

Before I close, I wanted to mention the announcement we made about acquiring SessionM, a US-based technology company that provides end-to-end loyalty solutions for merchants. We expect this acquisition to strengthen our ability to provide a complete platform-based loyalty solution, starting from data management to campaign execution and program measurement to our merchant customers, doing all of this while delivering a seamless digital experience for the consumers of those merchant customers. SessionM

has a growing base of leading customers that includes McDonald's, PepsiCo and Lowe's among others. We expect to close this acquisition this year.

With that, let me turn the call over to Sachin for an update on our financial results and operational metrics. Sachin?

Sachin Mehra {BIO 15311008 <GO>}

Thanks, Ajay. Turning to page three, you will see we delivered strong performance this quarter. Here are a few highlights on a currency-neutral basis and excluding both special items related to certain legal and tax matters in 2018, as well as the impact of gains and losses on the company's equity investments. Net revenue grew 16%, driven by solid momentum in our core and was slightly ahead of our expectations due to stronger-than-expected services growth. Acquisitions contributed approximately 1ppt to net revenue growth in the quarter. Total operating expenses increased 16%, which includes a 3 ppt increase related to acquisitions. The remaining 13% was related to our ongoing investment in strategic initiatives and was slightly lower than expected.

Operating income grew by 17% and net income was up 20%, reflecting our strong operating performance. Each includes a 1 ppt reduction due to acquisitions. Net income growth was also positively impacted by approximately 2 ppt due to a one-time tax benefit and approximately 1 ppt due to certain non-recurring gains, within other income and expenses. EPS grew 23% year-over-year to \$2.15, which includes \$0.04 related to the one-time tax benefit, and \$0.01 due to the non-recurring items and OIE that I just mentioned. The remaining \$2.10 includes a \$0.05 contribution from share repurchases and \$0.02 of dilution related to our recent acquisitions. During the quarter, we repurchased about \$1.8 billion worth of stock and an additional \$449 million through October 24, 2019.

So now let's turn to page four where you can see the operational metrics for the second quarter. Worldwide gross dollar volume or GDV growth was 14% on a local currency basis, up 1 ppt from last quarter, primarily due to the impact of the differing number of processing days between periods. US GDV grew 12%, up approximately 2 ppt from last quarter, with credit and debit growth of 15% and 9%, respectively.

Outside of the US, volume growth was 16%, up 1 ppt from last quarter. Cross border volume grew at 17% on a local currency basis in line with expectations and driven by double-digit growth across most regions.

Turning to page five, switched transactions showed strong growth at 20% globally, reflecting in part the ongoing adoption of contactless payments. We saw a healthy double-digit growth in switched transactions across all regions. In addition, card growth was 6%. Globally, there are 2.6 billion Mastercard and Maestro branded cards issued.

So now let's turn to page six for highlights on a few of the revenue line items, again, described on a currency-neutral basis unless otherwise noted. The 16% net revenue increase was primarily driven by strong transaction and volume growth, as well as particularly strong growth in our services offerings, partially offset by rebates and

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incentives. As previously mentioned, acquisitions contributed approximately 1 ppt due to this growth.

Looking quickly at the individual revenue line items. Domestic assessments grew 12%, while worldwide GDV grew 14%. The 2 ppt difference is driven by mix and the impact of an additional processing day on GDV growth in Q3. Cross border volume fees grew 16%, while cross border volumes grew 17%. The 1 ppt difference is mainly driven by mix, partially offset by pricing. Transaction processing fees grew 18%, while the switched transactions grew 20%. The difference is primarily due to mix. And finally, other revenues were up 34%, including a 4 ppt contribution from acquisitions. The remaining growth was higher than expected and was primarily driven by growth in our data and services and cyber and intelligence solutions.

Moving on to page seven, you can see that on a currency-neutral non-GAAP basis, total operating expenses increased 16%. This includes 3 ppt related to acquisitions. The remaining 13% of growth related to our continued investment in strategic initiatives such as digital enablement, safety and security, geographic expansion, and new payment flows. This was lower than expected due to the timing of certain investment initiatives, which we now expect to occur in the fourth quarter.

Turning to slide eight, let's discuss what we've seen through the first three weeks of October where each of our drivers are broadly consistent with what we saw in Q3. The numbers through October 21st are as follows. Starting with switched volume we saw global growth of 15%, down 1 ppt from Q3. In the US, our switched volume grew 11%, down 1 ppt sequentially in part due to lower PIN debit growth. Switched volume outside the US grew 19% similar to the third quarter. Globally, switched transaction growth was 20% similar to the third quarter. With respect to cross border, our volumes grew 16% globally, down 1 ppt.

So as we close out 2019, our business continues to perform well as we have had another solid quarter featuring several new and renewed deals, as Ajay just mentioned, as well as strong services revenue. Consumer spending remains healthy with some moderation versus year ago as expected. In terms of net revenues, on a currency-neutral basis, excluding acquisitions, we now expect to grow at the high end of the low-teens rate for the year, up slightly from prior expectations. Acquisitions will add about a 0.5 ppt to this revenue growth for the year. In addition, due to the stronger US dollar, we now expect FX to be a 3 ppt headwind to revenue for the year.

For our operating expenses on a currency-neutral basis, excluding acquisitions and special items, we continue to expect growth at the high end of high-single digits for the year. On the same basis for the fourth quarter, we expect growth in the high single-digits range versus a year ago. Acquisitions will add about 3 ppt to OpEx growth for the year and 6 ppt to the fourth quarter, primarily related to purchase accounting and integration-related costs. In addition, we expect FX will be a tailwind to OpEx of about 2 ppt for the year and 1 ppt for Q4.

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And now just a quick comment on acquisitions. Overall, our acquisitions are progressing well and our approach towards managing them has not changed. We expect them to breakeven within 24 months of close, after which the acquisition is included in the base and the respective manager responsible for delivering on their revenue and earnings growth targets within that context.

As a reminder, Q3 other income and expense included some one-time benefits that are not expected to recur in Q4 and investment income has been trending down due to lower interest rates. In terms of the non-GAAP tax rate for the year, we now expect it to be approximately 18% due to the discrete tax benefits taken year-to-date.

With that, let me turn the call back to Warren to begin the Q&A session.

Warren Kneeshaw {BIO 16549173 <GO>}

Thanks, Sachin. Melissa, we're now ready to take questions.

Questions And Answers

Operator

Thank you. (Operator Instructions) Your first question comes from the line of Ramsey El-Assal from Barclays. Your line is open.

A - Ajay Banga {BIO 4676567 <GO>}

Ramsey.

A - Sachin Mehra {BIO 15311008 <GO>}

Ramsey, are you on mute.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Let's go to the next one.

Operator

Your next question comes from the line of Darrin Peller from Wolfe Research. Your line is open.

Q - Darrin Peller {BIO 16385359 <GO>}

Hey. Thanks guys. Nice trends again. Can you just first start off talking a bit more about the cross border trends continue to hold up well? We're hearing a lot of questions macro-wise, but it seems like it's not really affecting you. So first, more -- maybe a little more granularity of what you're actually seeing there. And then quickly on the expense side, again, it beat us, and I know you mentioned some one-time items, Sachin, just what are

your thoughts on the growth profile? Is it consistently like modeling-wise high single-digit the right way to think about it?

A - Sachin Mehra {BIO 15311008 <GO>}

Sure, Darrin. Let me take that. I'll take the cross border question first. So, what we're seeing from a cross-border standpoint is very much in line with our expectations. We continue to see double-digit growth across most of our regions and we continue to actually expect mid-teens growth for the full year 2019.

If I -- as I drill down a little bit more into it, what we're seeing is that US inbound and outbound cross border volumes are very much in line sequentially, China cross border growth continues to be also stable in that low-double digits range. Europe continues its strong trends there. The fintech leadership position that we've got in Europe and in particularly in the UK, as well as our commercial travel programs are two particularly strong contributors that we're seeing here. So, all-in-all, what I tell you from a cross border fence standpoint, in line with our expectations, we continue to believe that we'll deliver mid-teens growth for the full year of 2019 and certainly things look pretty good.

On your question as it relates to expenses, you're right, in Q3, the expenses did come in lower than our expectations. We now expect that those expenses will be incurred in Q4 as per what I just shared with you. Holistically, what I would tell you is that, for operating expenses, on a full year basis, we continue to believe that we'll be at the high end of high-single digits very much in line with what we've shared with you previously as well.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question please.

Operator

Your next question comes from the line of Tien-Tsin Huang from JPMorgan. Your line is open.

Q - Tien-tsin Huang {BIO 6065319 <GO>}

Hi. Good morning. Good results. The services line, you mentioned, Sachin, was better than expected, so what can you give us a little bit more on what surprise to the upside and maybe some guidance on the growth from here in the short- and mid-term? Thank you.

A - Sachin Mehra {BIO 15311008 <GO>}

Sure, Tien-tsin. So, yeah, you're right. Services came in stronger than expected. We had good performance across both our cyber and intelligence solutions, as well as our data and services solutions. The one thing I'll remind you about services is they tend to be lumpy. Quarter-to-quarter depending on the customer deals which we've signed and those which we've executed on, the number is kind of move around based on how the execution plans are going on in that.

All-in-all, the performance in services continues to be strong. We've had a couple of, what I would say, stronger than expected quarters between Q2 and Q3, but nothing other than that that it would I report as being unusual. There is very good receptivity for the capabilities that we're putting out into the market. As you heard, Ajay, talk in the script, he mentioned about how some of the wins we've had recently have been enabled by what we deliver from a services capability standpoint and you're seeing all of that manifest itself in the numbers coming through right now.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question please.

Operator

Your next question comes from the line of Lisa Ellis from MoffettNathanson. Your line is open.

Q - Lisa Ellis {BIO 18884048 <GO>}

Hi. Good morning, Ajay and Sachin. I had a question about the investments in more sort of strategic or the holistic question around fast ACH. One topic that doesn't get a lot of attention when it comes to fast ACH or push payments more broadly is around fraud, which I imagine (Technical Difficulty) on the pull payment side like what we're accustomed to with card payments. Can you just talk about as you're building out VocaLink and now Nets like what's the nature of fraud exactly when it comes to fast ACH and how do you think that or how do you differentiate versus other providers? Thank you.

A - Ajay Banga {BIO 4676567 <GO>}

Hi, Lisa. Your voice came in line [ph] a little bit in between, but I got the idea that you are checking on fraud to do with fast ACH as compared to card is very different. So my -- the first thing is to get invoiced fraud, that kind of happens as part of the game. You get not just the payment fraud, you invoicing fraud as well.

So it's kind of got two sides to the story in commercial payments and one of the things that we can do using AI and machine learning is we can help the both aspects of that transaction. The presenter of that invoice to be accurate, being able to search through the invoices they are getting, to be able to find and track invoices that don't fit the pattern or don't fit the trend you should be getting, and as well as on the payment side. And then, of course, you get the opportunity for managing authorization levels and approval authorities and the like inside a corporation as well with the tools we can build.

And then there's the bigger picture, which is the one we talked about, which is around anti-money laundering at a level in a market as a whole in VocaLink's case in the UK, because we see so many of the transaction, we have all of the transactions in the UK. I think once we get P27 and Nets done in the Nordics, that will be the same case, as well as in the Philippines and others.

We can actually apply these AI tools to find pockets of money mules and nodes of money movement that you cannot easily find otherwise. Of course, the Holy Grail here would be to be able to connect us across markets, so we can find anti-money laundering trends that also are happening cross border and cross markets. Those are harder because as you know ACH has tended to be whether batch or real-time has tended to be country by country. And so, it's a little more difficult to get the cross border trends as of now.

Q - Lisa Ellis {BIO 18884048 <GO>}

Thank you. Okay.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question please.

Operator

Your next question comes from the line of Harshita Rawat from Bernstein. Your line is open.

Q - Harshita Rawat {BIO 18652811 <GO>}

Hi. Good morning. Sachin, a question in switched transactions firstly (Technical Difficulty) nicely from last quarter and it's probably the strongest we have seen in many quarters. So can you talk about the drivers there in terms of increasing contactless penetration as you noted, but also a great monoproducting (inaudible) and changing transaction side (Technical Difficulty)? And also, how does the contactless rollout in the US impact this in 2020 and beyond?

A - Sachin Mehra {BIO 15311008 <GO>}

Yeah. Thanks, Harshita. You're right. Switched transaction growth continues to be moving along at a healthy pace and there are a few factors which are kind of impacting that. There's certainly the adoption of contactless payments globally. We are seeing good strength in markets in Europe. We're seeing good strength in Canada and in market strength in Australia, but also in the US, right.

So with the recent launch of contactless payments in the transit systems particularly in the New York area, you were starting to see good adoption come through, both from an acceptance standpoint, but also from a card issuance standpoint.

So that's kind of one facet which is contributing to switched transaction growth, but I would remind everyone here that besides contactless payments, the fact that we have market share gains and those market share gains are occurring in markets where we have more switching taking place, it is also a contributing factor to our switched transaction growth.

And then, the final piece, which I'll mention is, as we are working actively to win more switching from what was previously being done on domestic switches, case in point as

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what Ajay mentioned as it relates to the work we are doing in Indonesia, those are all contributing factors which are helping with this trajectory from a switched transaction growth standpoint.

A - Ajay Banga {BIO 4676567 <GO>}

We are now seeing about 56%-odd of our transactions and that's up from 40%-something five years to 10 years ago. And that's a very conscious effort to see more transactions so we can do more with them in the form of our services business as well, as well as increase our relevance domestically in each country. Once you start seeing more transactions, you're playing a better role in the transaction flow of that marketplace.

Q - Harshita Rawat {BIO 18652811 <GO>}

Thank you.

Operator

Your next question comes from the line of Ramsey El-Assal from Barclays. Your line is open.

Q - Ramsey El-Assal {BIO 17528014 <GO>}

Hi, guys. Thanks for taking my question. I wanted to ask about B2B payments. And the addressable market there has been large for so long. It feels like the ecosystem is gaining momentum. You guys have launched track. What has constrained B2B broadly speaking before and what is changing now? What factors are changing now that are allowing you guys to go after it more aggressively?

A - Sachin Mehra {BIO 15311008 <GO>}

Yeah. Ramsey, it's Sachin. I'll take that one. So here is what I'd tell you. I'd say, you've got to think about B2B payments in the context of things which we, as a network, have been doing for some time now, which is addressing them at the point of sale, because there are business to business payments which take this at the point of sale, which is our traditional commercial business, which has been growing at a healthy clip and has been a decent revenue contributor over many years.

This is our typical T&E products, our small business propositions, our Bcard [ph] products. And then there is in the accounts payable space, which is the opportunity which hasn't historically been penetrated in a meaningful manner, where over the last four years or five years, starting with our merchant card capabilities, we've been making good advances out there. All of that still happens to be on card rails related to payments.

The problem statement in B2B actually extends beyond just moving money from point A to point B. It's also about delivering data effectively between the buyer and the seller of goods and services. And as we go down the path of our Mastercard Track capabilities, you will see that a lot of what we are doing in addition to delivering payments is enabling more seamless transmission of data to allow for better reconciliation of those payments.

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So it's about creating the right ecosystem to be able to capture the data, transmit the data, and deliver it in a manner where the use or the receiver of money can apply that data in a useful manner. So that's what things like Track tool. So that's kind of one piece you should think about.

The other piece comes around the importance of safety and security in B2B payments. And as we've been building new services capabilities in the safety and security space, it will be -- what will help us, also expand the B2B universe. The bottom-line is the following. This will take some time. There is an ecosystem which has got to be built out. There is capabilities, which we have invested in and continue to invest in, which we will rollout. But the point really is, it's not just about the payment. It's much more than the payment when you think about B2B payments.

And then there's real-time payments, which comes into play. Everything I've spoken about right now relates to cards and data. But as we go into the real-time payment universe, you will see things like payment and delivery. It's a B2B solution. We just announced that we are piloting that with PNC. That is about leveraging our multi-real strategy to participate in those accounts payable also well beyond the cards.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question.

Q - Ramsey El-Assal {BIO 17528014 <GO>}

Thank you.

Operator

Your next question comes from the line of Brett Huff from Stephens. Your line is open.

Q - Brett Huff {BIO 15735841 <GO>}

Good morning and congrats on the nice results. Can you guys embellish a little bit on the Mastercard Track? Because I thought was interesting you said that there is an ecosystem that needed to be built out, I think, you were referring specifically to that. This is a product that we've been particularly focused on. Can you tell us kind of where we are there in terms of signing people up and when we kind of reached the tipping point for when that growth -- we can see that growth really start to take off?

A - Ajay Banga {BIO 4676567 <GO>}

Brett, it's Ajay. I think this is not an easy answer that will be done in your x month of y year. This is a (inaudible). I think of in the consumer payments space for all the network place is to create that ecosystem. Start with a directory. Basically, merchants and consumers are two sides of a directory. We need such a directory in B2B payments connecting millions of buyers with millions of sellers. Mastercard Track has got a directory of 200-plus million businesses on it. There is still more to be added. It's been a fragmented system across

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many countries with many different players. Bringing it together and making it less fragmented is a job that will take years before it actually gets to fruition in its full form.

But then you can start building with what you've got. And inside that, we are building with it a set of payments optimization engine on multi-rails. So the buyer and the seller can decide whether they want credit or they want to pay in advance and/or factor of the bill or they want pay later. All that comes out of that optimization engine. And for buyers and sellers to understand that and to begin to incorporate that, remember, we are not talking big companies here. Those guys are very sophisticated in what they do. Just the big mass of middle market and small businesses that actually need help on this front.

And then there's the whole issue of what Sachin talked about, the information and the richness of the data that enables reconciliation of payments to be much more seamless. That's fairly large tasks and they aren't as easy as connecting points and switching people on. You've got to find your way through all these aspects. So we are working our way through it.

So you see us launching a B2B Hub in the US, and adding more banks and other companies into it, those are buyers' agents and sellers' agents, you can see us getting scale by adding more people there. Similarly, in Australia, we launched the B2B Hub with what was MYOB and there's more coming into that that's all part of getting scale. So I -- as I said often, we are doing a lot of things in this space. You should think of this as a two-year, three-year, four-year effort to get to scale and size and that's how we are investing in it.

Q - Brett Huff {BIO 15735841 <GO>}

Great. Thank you.

Operator

Your next question comes from the line of Chris Donat from Sandler O'Neill. Your line is open.

Q - Christopher Donat {BIO 15390389 <GO>}

Hi. Good morning. I had a question about click-to-pay or secure remote commerce. I'm just wondering as you move from the soft launch that's going on now to the more serious launch in 1Q 2020. Can we expect a big uplift in marketing spend or will this be sort of within the context of your typical marketing efforts?

A - Ajay Banga {BIO 4676567 <GO>}

Yeah. I mean, we'll play that a little bit by year as we normally do with an event like this. I think you'll see us do some spending on marketing because we are keen to get this established, but we're going to start the marketing in a bigger way when there is enough distribution off the button and enough merchants, so that the marketing dollar we'll spend is spent well amortized over many merchants.

So I don't know that will be a 1Q event. You might see it later in the year. It just depends on the pace of installation of this button through our distribution partners. You heard me talk about FIS an RDN and Global Payments and Stripe and others like that, and of course, through all the efforts, we as an industry make directly as well.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question please.

Operator

Your next question comes from the line of Ashwin Shirvaikar from Citi. Your line is open.

Q - Ashwin Shirvaikar {BIO 5027189 <GO>}

Hi, Ajay. Hi, Sachin. So the question is could you shed more color on the healthcare unit announcement from yesterday that primarily a formalization of your capabilities you already had because I thought you're already doing some of the analytics and billing work there. And more broadly, clearly, healthcare is an important vertical, but should we expect more of a verticalized push, I noticed here in Vegas, you guys have a major presence not only at Money 2020, but also at the Digital Health event.

A - Ajay Banga {BIO 4676567 <GO>}

Hey. What happens in Vegas should stay in Vegas. So they are making it on a public call for God's sake, I don't know. Okay. I'm just kidding. So, yes, healthcare, so, yes, we participate in healthcare through Flexible Spending Account and healthcare saving account, and Health Reimbursement arrangement and all those three-letter acronyms that we've got in the US around health care payments for consumers.

Those are cards, we do those. And you will see us continuing our effort to gain share in that space, because that's kind of a lower hanging fruit in the healthcare space to take away one of the pain points in the healthcare payment and reimbursement system. But it's only one. There are plenty more. And the real issue we're trying to do with this announcement is to show you that we are beginning work on those other pain points.

We've got a few clients already who have worked with us over the last six months to one year on some of these topics. They include providers like hospital systems. They include payers like individual sort of the insurance companies. What we are trying to do is to systematize that and make that a business opportunity for our company and take our analytics, as well as our payment capability and apply it across this very obvious painpoint industry in the United States. For the time being, it's US-centric.

So to give you examples, we are talking about getting into what we call a patient payment assurance, which is really predictive analytics to enable the hospital, the provider, the doctor to -- in it to get more effective billing strategies that are tailored to the kind of patient they're getting. So if you look at segment patients basing on payment burden, on individual payment behaviors, and you would develop new billing strategies customized to that patient's unique profile.

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The second one is to use AI and machine learning to detect suspicious claims and if you go to the insurance companies, they will tell you that fighting suspicious claims is one of their most important things, that's why you as a consumer very often get these detailed inquiries from your insurer, which gets you to be unhappy. All they are trying to do is to fight the issue of suspicious claims.

And again, we can help new providers reduce on-boarding risk. We can monitor provider behavior and risk levels. We can manage daily transaction fraud risk in real-time. That's kind of what we do in the payments business. That's why our cyber and intelligence business are growing well. I think we can apply the same knowledge and capability to this marketplace.

And then, thirdly, we are focusing on data security. And there, the idea is, to use biometrics which will allow patients to be identified better, and of course, behavioral analytics to protect health information. So it's through mobile access being authenticated better to HSA accounts and call centers and patient portals auto-detect cyber threats in real time so we can lower operational investigative costs, those are examples.

So think of us as taking our current capability in payments and data, adapting it to the need of a specific sort of vertical called healthcare, both for payers and for providers, and then finding a way to get that into distribution. That's the real task. To get it out there with enough providers and with enough payers. That's the work we are undertaking now and probably what you heard in Vegas.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Thanks, Ajay. Next question please.

Q - Ashwin Shirvaikar {BIO 5027189 <GO>}

Thank you.

Operator

Your next question comes from the line of Don Fandetti from Wells Fargo. Your line is open.

Q - Donald Fandetti {BIO 6095992 <GO>}

So, Ajay, interesting comments on the Citi renewal around Treasury and trade solutions. Just wanted to get your sense on how B2B is really impacting negotiations with issuers on renewals, and then kind of makes me think out loud that, if you look at digital and B2B, the integration is becoming deeper and things like switches are much more unlikely going forward. And then will we see any type of impact to the economics, whether it's rebates, et cetera, or will it not really be visible to us what's going on behind the scenes on B2B?

A - Ajay Banga {BIO 4676567 <GO>}

Yeah. So, I mean, I wouldn't conclude that the Citi deal renewing the consumer aspect of 2029 including small business, I wouldn't conclude that that deal had economics from the B2B aspect of our relationship built into it. That's not what I said. What I said was we renewed the Citi consumer deal till 2029 exclusive for Citi branded cards both consumer debit and small business.

We are continuing our partnership with the trade services business on things like the Mastercard payments gateway. And frankly, a bunch of other things that I haven't even talked about as part of our B2B payments, including what we are going to do with real-time payments and cross border possibilities with the company.

Your question is deeper. Your question is that, does this help us go to institutions with a more holistic discussion? I think, Don, as you recall from your days even in other institutions, it depends a little bit how well-stitched together their org structures. In a number of the larger banks around the world, the institutional client group, the corporate banking business tends to be isolated from the consumer group. In others, they don't. And so, in some institutions, they started coming together in portions of it like in acquiring or in a payment gateway and others they're quite distinct. Commercial cards tend to be in one space. Corporate T&E cards (Technical Difficulty) while consumer tends to be in the other.

That is kind of how these institutions are run. And so, there is a opportunity over time for us to stitch together our improving B2B capabilities with our consumer capabilities. Certainly, the institutions look at it holistically, but over time, even as others as they come together. And clearly, at the right level of management, we do that all the time. So if you talk to the CEO or the CFO of somebody up at that level, Mike Corbat was at our office the other day, obviously, we're discussing all aspects of Citi, because he cares deeply about the whole of Citi's P&L and that's how it should be. So I wouldn't conclude right now that this has made so much progress that you will be able to get insights that are different in them. It's kind of like two efforts going alone in the company.

Q - Donald Fandetti {BIO 6095992 <GO>}

Thank you.

A - Ajay Banga {BIO 4676567 <GO>}

But your point about will it make switching harder, I don't know. We'll see. My general belief is that the more you do with an institution, the more your value is visible to that institution. And that's kind of how we've approached it. And if you have value that you bring, whether it's a merchant or a bank or a telco or a government, they will tend to be more thoughtful on their transactions with you.

Q - Donald Fandetti {BIO 6095992 <GO>}

Got it. Thank you.

Operator

Your next question comes from the line of Bob Napoli from William Blair. Your line is open.

Q - Robert Napoli {BIO 1526298 <GO>}

Thank you and good morning. The -- just want to dig a little deeper into the services business and the organic growth of that business. And then what -- and I know you mentioned, Ajay, that data and cyber in particular were strong this quarter and then what you're looking to add to that additionally through your -- through the M&A side?

A - Ajay Banga {BIO 4676567 <GO>}

Bob, the organic growth is great. I mean, I'll give you an anecdotal example, but Applied Predictive Technologies, APT is the company that helped us understand what it can do on Test and Learn through their patented processes, which we've now put into almost all our data and services business.

We actually did revenue bookings in them in one month, a few months ago, which is equal to what we did in the year we bought them. That gives you a sense of the multiplier factor that a good business with outstanding people can get through the distribution that we can give them and the link to our client base that they we can provide. That's the -- we bought them and then we've grown them organic. So there's that going on.

The same is true of new data and what we now call NuDetect. So they get bought as inorganic. Then they get merged into us and then it becomes part of our organic base two years later then it's basically being put through our distribution system to get access to much larger scale. And then we keep adding capabilities into that business through our own team of AI and machine learning and data scientist people who can help us build out the repertoire that that company is willing and capable of offering.

Where do you see us doing more of this? Well, as I've said, sometimes we are very keen to continue to expand in everything we do with cyber security and predictive modeling of that space. I continue to believe that digital identity, cyber security, identifying fraudulent transactions, the capacity to identify people correctly, companies correctly you heard me say that on the B2B payment answer a little while ago, that's going to be very important.

Similarly, loyalty and rewards, and we've added scale to that and we continue to build that out as part of our managed services business. I continue to believe that to be an area where you will see us focusing. You will see us focusing on anything that can help us with AI and data analytics as we go by. These are to me all important spaces in services as distinct from what we might want to do in real-time payments and B2B. I think that's the kind of space you'll see us focusing on.

Q - Robert Napoli {BIO 1526298 <GO>}

Thank you very much.

Operator

Your next question comes from the line of James Friedman from Susquehanna. Your line is open.

Q - James Friedman {BIO 20091873 <GO>}

Hi. Thank you for taking my question. Sachin, in your prior answer, I thought that the inference was that there are some services pull-through from B2B. I want to make sure that that was right. You mentioned safety and security, and you mentioned, Mastercard Track. Is that true that that's a place that where we would see B2B being populated? And I just -- I'm going to try it. So you reported 34% FX-neutral in other revenue. Is that a good proxy for services or is that too simple? Thank you.

A - Sachin Mehra {BIO 15311008 <GO>}

Yeah. So I'll take the second part of your question first. And I think I need a clarification on your first question. But on the second part, other revenues does comprise services-related revenues. But services revenues also show up in our transaction processing fees. So I think, you've just got to be careful about assuming that there is a one-to-one correlation between other revenues, and our services revenue. Other revenues has other stuff going on in there as well.

So that's kind of point one. On the 30% growth rate. About 4 points of that, like I said, came from acquisitions, and then the remaining 30% came from a whole bunch of activity, primarily driven by the strong growth we've seen in our services capabilities, both on deal and services, as well as on our cyber and intelligence solutions. And Jimmy, I want to make sure I got the first question right. What exactly were you asking? I wasn't sure I quite understood that.

Q - James Friedman {BIO 20091873 <GO>}

Yeah. I was trying to figure out is just simply put is services showing up in the B2B ecosystem, because it -- maybe I was exaggerating but it seemed like in the answer to one of your prior questions you had suggested there might be some pull-through there.

A - Ajay Banga {BIO 4676567 <GO>}

Yeah. Well, it's like AML and the money laundering product. That will (Technical Difficulty) as a B2B solution and that's a service in terms of data analytics, right, Sachin?

A - Sachin Mehra {BIO 15311008 <GO>}

Yeah. And again, if you go back to what we've articulated previously as part of our strategy, which is we will participate at the infrastructure level, at the application level, and the services level. So if you think about services, that is something we will apply not only to card rails, we will also apply it to our non-card rails.

The question really is where we started, which is mostly our services capabilities have been focused on servicing our customers on the card side. As we keep building out our B2B capabilities on the non-card side, that is very much going to be a focus area where we go from a services capability standpoint.

Q - James Friedman {BIO 20091873 <GO>}

Thank you.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Next question, please.

Operator

Your next question comes from the line of Dave Koning from Baird. Your line is open.

Q - David Koning {BIO 7310416 <GO>}

Yeah. Hey, guys. This is just kind of a high-level simplistic question, but last year, revenue growth kind of organic constant currency revenue growth was actually the weakest in Q4, so you have quite an easy comp in Q4 this year. Are there any call outs to think of last year that might or might not make this Q4 '19 actually be the fastest growth given the easy comp on last year?

A - Ajay Banga {BIO 4676567 <GO>}

So, Dave, as I said in my opening remarks, no more real color I'm going to give you as it relates to specifics on revenue growth for Q4. We did mention that we believe our net revenue growth for the full year will now come in at the high end of the low-teens rate, which is up slightly within -- up slightly to what we had previously shared.

And look, it's business as usual, right? There's lots of puts and takes, which take place as it relates to how our revenues are growing. I think the bottom-line, which I would leave you with the following. The driver growth continues to remain strong and that's across the Board, it's true for GDV, it's true for our cross border. It's true for switched transactions. It's true for our other revenue line item. That's point number one.

Point number two is, we did talk to you a couple of weeks ago or about a month ago at our Investor Community Day, and well, I'm not updating our three-year outlook at this point in time. We did mention to you at that point in time that we still expect our three-year outlook to be as what we mentioned at our Investor Day. So look, I mean, the bottom-line I would tell you is the following, we are running the business to make sure we're driving valuables in the short-, medium- and long-term, and that's what we'll continue to do on a going forward basis.

Q - David Koning {BIO 7310416 <GO>}

Great. Thank you.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Time for one final question.

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Operator

Your next question is from the line of Craig Maurer from Autonomous. Your line is open.

Q - Craig Maurer {BIO 4162139 <GO>}

Yeah. Good morning. Thanks. Two quick questions.

A - Ajay Banga {BIO 4676567 <GO>}

Hi.

Q - Craig Maurer {BIO 4162139 <GO>}

First on rebates and incentives, is there anything we should be thinking about either related to the Citi renewal or the cadence of renewals next year that will influence the percentage of gross one way or another?

And secondly, with regards to the acquisition of Nets, can you talk about how the Omni Billing technology will accelerate what you're already doing with Transactis and Bill Pay Exchange? Thanks.

A - Ajay Banga {BIO 4676567 <GO>}

Sure, Craig. So I'll take the question you've got as it relates to deal renewals and stuff like that. Look, I mean, I think, you've got to keep in mind that the renewals which you hear about every quarter are not happening primarily within the quarter. In other words, it might close in a particular quarter, but they're typically in the works for a while.

So when we share with you our outlook, which is what we've shared with you both on this call for 2019, as well as the Investor Day for our three-year objectives, they contemplate this level of renewal to take place. So I wouldn't call anything special out as it relates to unusual activity from our rebates and incentive standpoint, all contemplated in what we shared with you in these various two forums.

On your other question, as it relates to the Omni Billing solution for Nets. It's a very solid capability. It is one where we see is the potential for tremendous amounts of synergies, both with -- both in terms of how we expand that capability globally, as well as how we bring some of the capabilities that we will acquire at the time we close the transaction due to our Bill Pay Exchange, which we've announced in the US.

So, again, I take you back to the use case and the application layer associated with real-time payments in this instance being bill payments, sizable opportunity in a global basis. We believe we're well-positioned both with our Bill Pay Exchange capability, as well as with the closing of the Nets transaction with what they bring from an Omni Billing standpoint to be able to take that and take that and mass across the globe.

Q - Craig Maurer {BIO 4162139 <GO>}

Thank you.

A - Warren Kneeshaw {BIO 16549173 <GO>}

Yeah. Ajay, any final comments?

A - Ajay Banga {BIO 4676567 <GO>}

Yeah. I was thinking of getting them in, because he was dying for a question, but anyway [ph]. So that is for all your questions, I'd like to wrap up with a few closing thoughts. We had another solid quarter, driven by robust business drivers and broad-based growth. We have extended significant relationship with critical partners such as Citi, Bank of America and HSBC. We are doing this while continuing to invest in our business for the long-term, including our multi-rail strategy and our wide range of services. With that, thank you for your continued support of the company and thank you for joining us today.

Operator

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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