

# Mastercard Incorporated

Fourth-Quarter and Full-Year 2020 Financial Results Conference Call

January 28, 2021



# Business Update

————— Key Trends

————— Business Highlights

————— Financial Overview



# 4th Quarter Selected Financial Performance

(\$ in millions, except per share data)

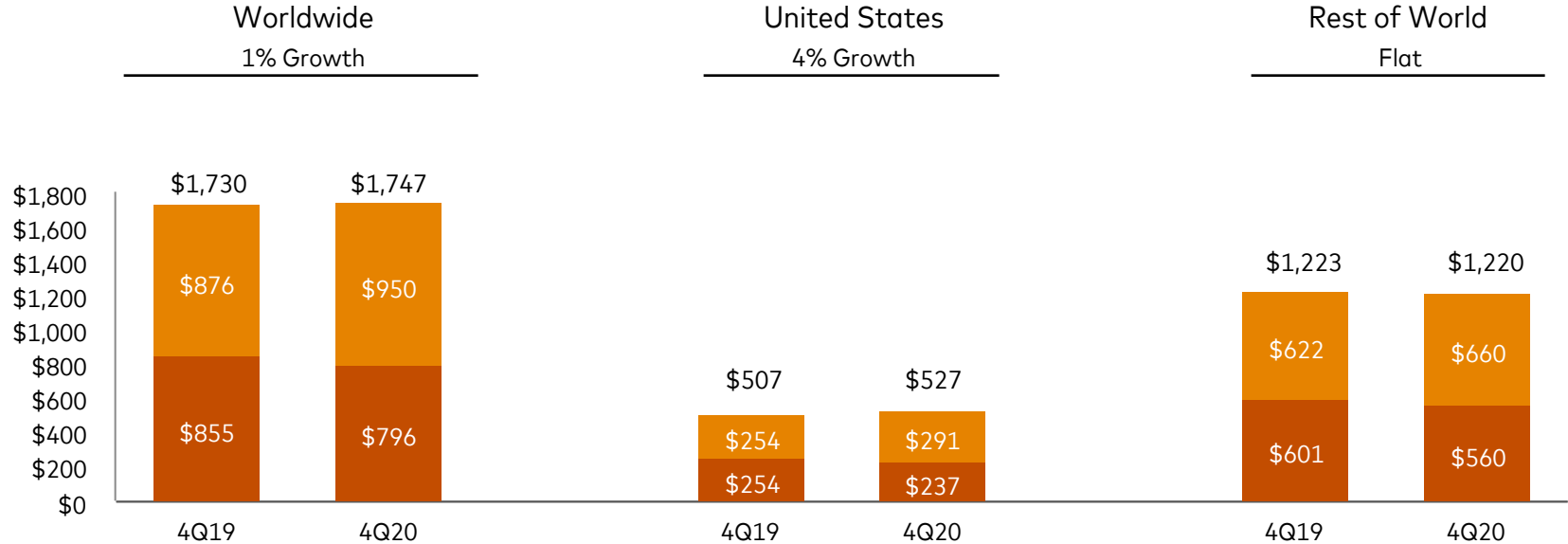
			YOY Growth	
	4Q 20 Non-GAAP	4Q 19 Non-GAAP	As adjusted	Currency Neutral
Net revenue	\$ 4,120	\$ 4,414	(7)%	(7)%
Adjusted operating expenses	2,018	2,015	— %	— %
Adjusted operating income	2,102	2,399	(12)%	(12)%
<i>Adjusted operating margin</i>	51.0 %	54.4 %	(3.3) <i>ppt</i>	(3.2) <i>ppt</i>
Adjusted net income	\$ 1,644	\$ 1,981	(17)%	(17)%
Adjusted diluted EPS	\$ 1.64	\$ 1.96	(16)%	(16)%
Adjusted effective tax rate	17.5 %	15.9 %		

Note: See Appendix A for Non-GAAP reconciliation.



# 4th Quarter Gross Dollar Volume (GDV)

(\$ in billions)

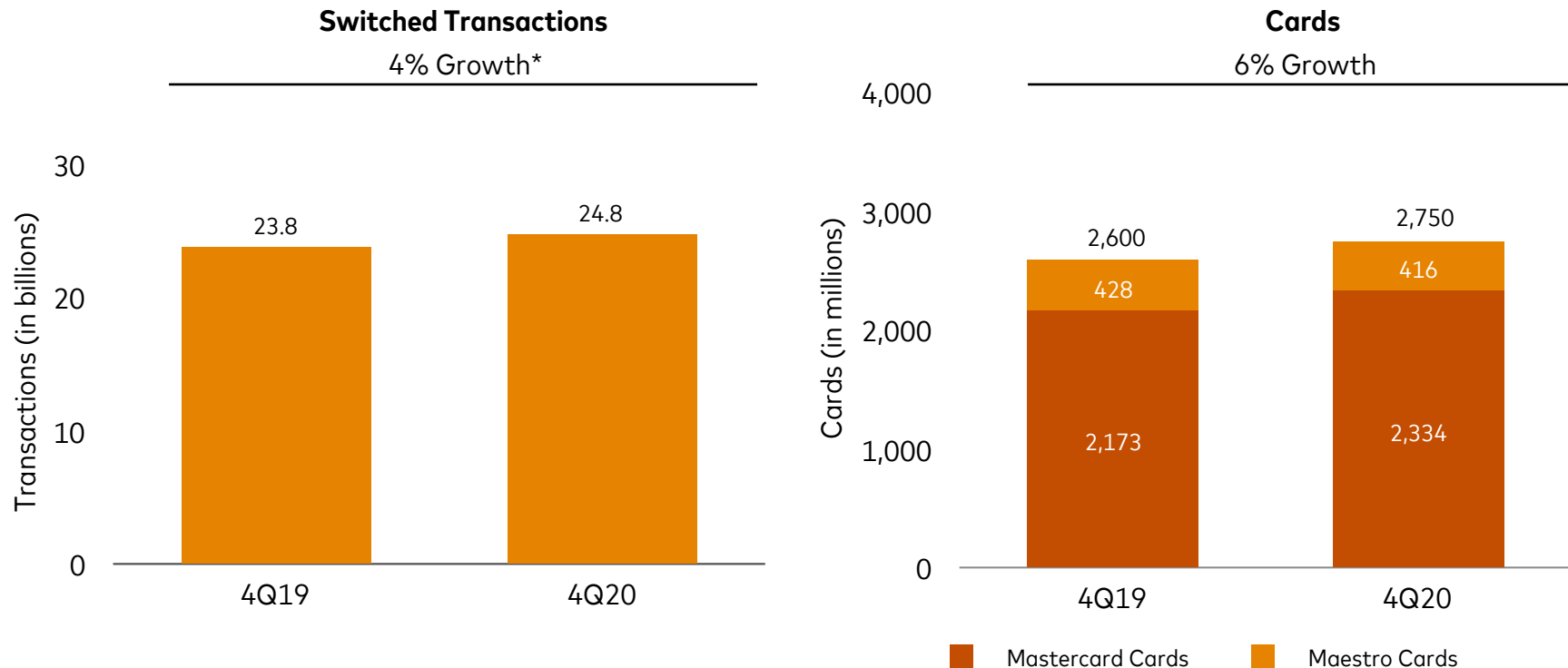


Notes: 1. Growth rates are shown in local currency.  
2. Figures may not sum due to rounding.

 Credit     Debit / Prepaid



# 4th Quarter Switched Transactions and Cards



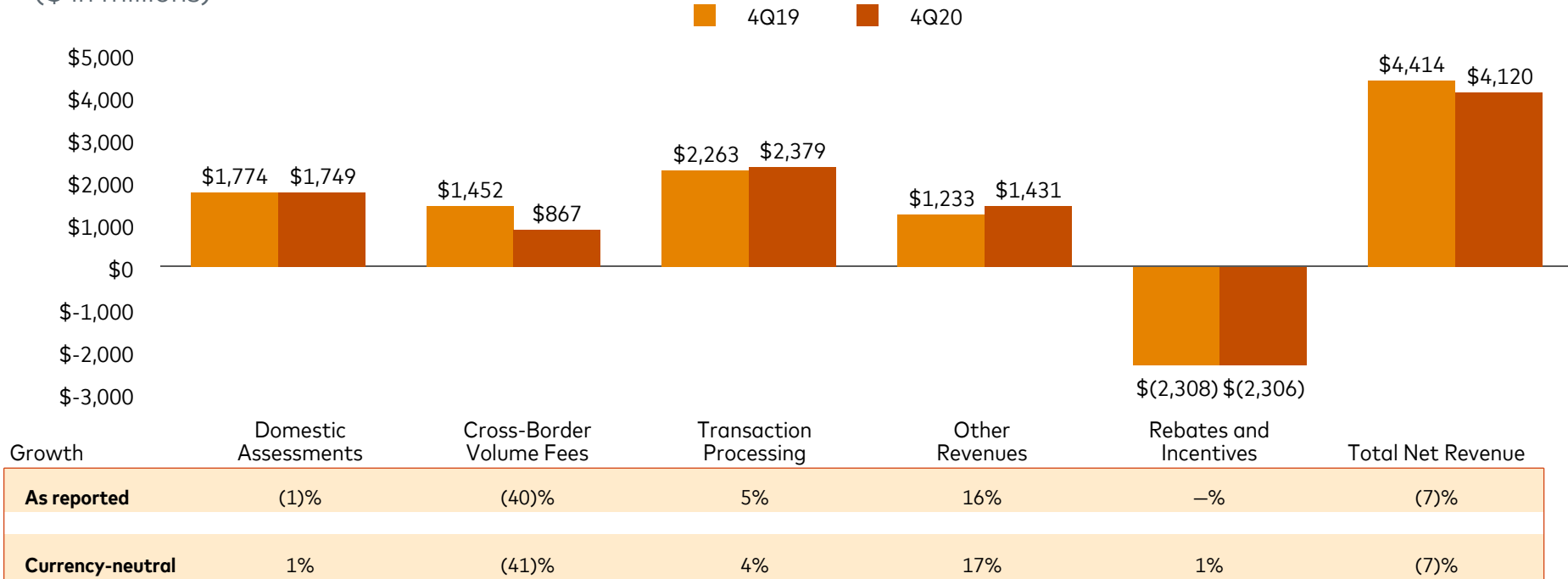
Notes: Figures may not sum due to rounding.

\*Growth rates have been normalized to eliminate the effects of differing switching and carryover days between periods.



# 4th Quarter Revenue

(\$ in millions)

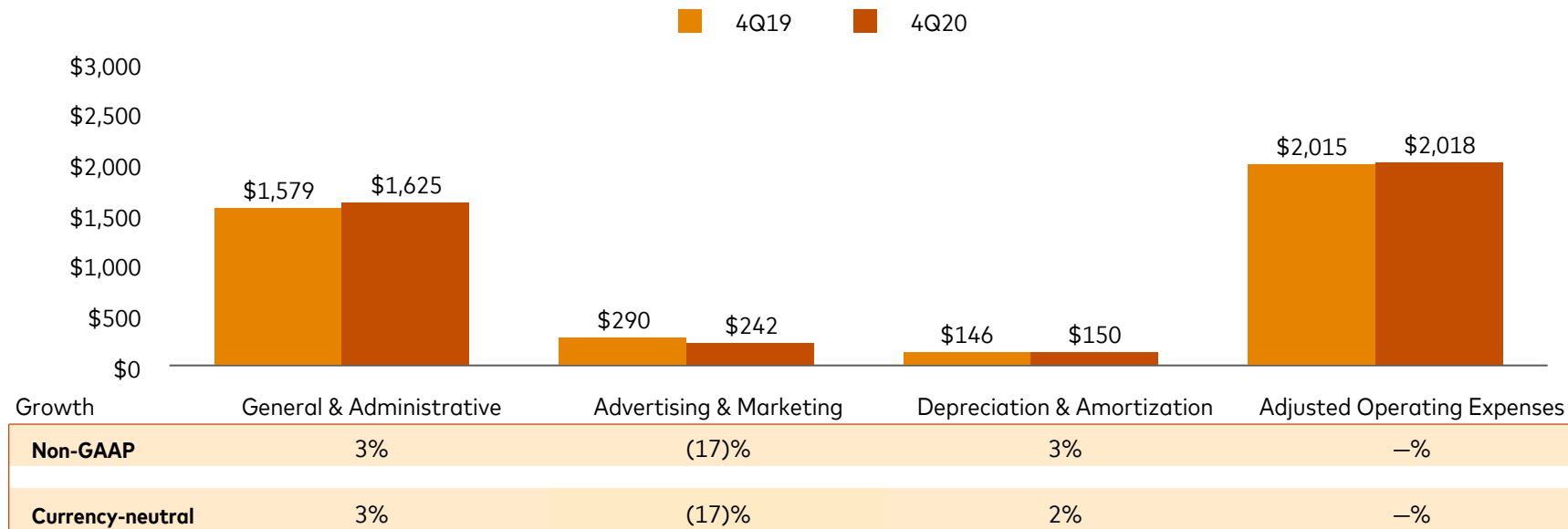


Note: Figures may not sum due to rounding.



# 4th Quarter Adjusted Operating Expenses

(\$ in millions)



Note: See Appendix A for Non-GAAP reconciliation. Figures may not sum due to rounding.



# Business Update Through January 21<sup>st</sup>

year-over-year growth %

	October Full Month <sup>1</sup>	November Full Month <sup>1</sup>	December Full Month <sup>1</sup>	Week ending January 7	Week ending January 14	Week ending January 21
<b>Switched volume<sup>2</sup></b>	4%	4%	4%	3%	3%	2%
United States	7%	5%	5%	11%	10%	7%
Worldwide less U.S.	2%	3%	2%	(4)%	(3)%	(2)%
<b>Switched transactions<sup>3</sup></b>	6%	4%	3%	3%	3%	2%
<b>Cross-border volume<sup>2</sup></b>	(34)%	(27)%	(27)%	(34)%	(30)%	(30)%
Intra-Europe	(21)%	(12)%	(13)%	(22)%	(20)%	(23)%
Other Cross-Border	(45)%	(39)%	(40)%	(43)%	(39)%	(36)%

1. Growth rates have been normalized to eliminate the effects of differing switching and carryover days between periods

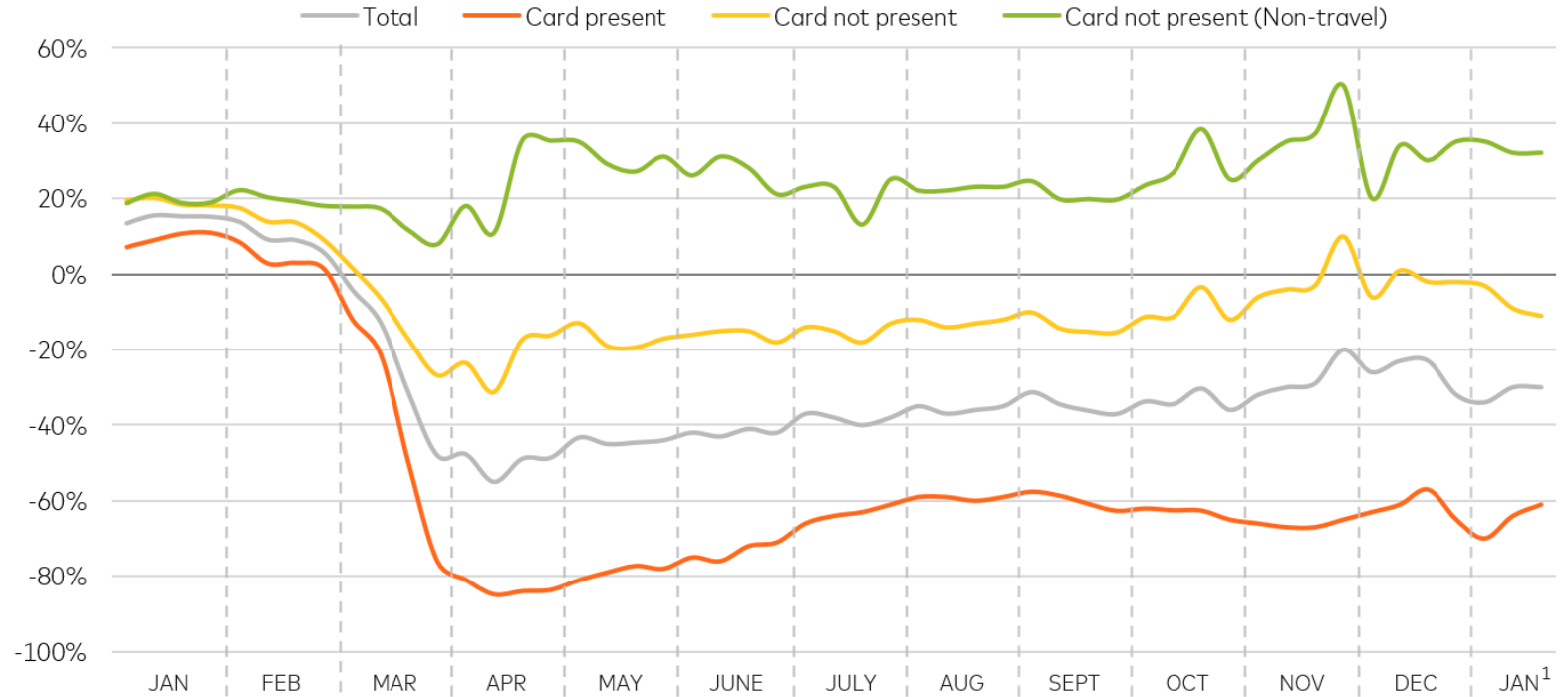
2. Mastercard-branded programs only; on a local currency basis

3. Total number of transactions switched by Mastercard





# Cross-border Volume Trends



1. Through January 21st MTD

Note: Cross-border volume growth is calculated in a manner as defined in our Supplemental Operational Performance Data



# Looking Ahead

———— Further thoughts



# Appendices



# Appendix A

## Non-GAAP Reconciliation

(\$ in millions, except per share data)

### Three Months Ended December 31, 2020

	Operating expenses	Operating income	Operating margin	Other Income (Expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 2,062	\$ 2,058	49.9 %	\$ 110	17.6 %	\$ 1,785	\$ 1.78
(Gains) losses on equity investments <sup>1</sup>	**	**	**	(220)	0.2 %	(186)	\$ (0.19)
Litigation provisions <sup>2</sup>	(45)	45	1.1 %	**	(0.4)%	45	\$ 0.04
Non-GAAP	<u>\$ 2,018</u>	<u>\$ 2,102</u>	<u>51.0 %</u>	<u>\$ (110)</u>	<u>17.5 %</u>	<u>\$ 1,644</u>	<u>\$ 1.64</u>

### Three Months Ended December 31, 2019

	Operating expenses	Operating income	Operating margin	Other Income (Expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 2,015	\$ 2,399	54.4 %	\$ 76	15.1 %	\$ 2,100	\$ 2.07
(Gains) losses on equity investments <sup>1</sup>	**	**	**	(119)	(0.4)%	(92)	\$ (0.09)
Tax Act <sup>3</sup>	**	**	**	**	1.2 %	(27)	\$ (0.03)
Non-GAAP	<u>\$ 2,015</u>	<u>\$ 2,399</u>	<u>54.4 %</u>	<u>\$ (43)</u>	<u>15.9 %</u>	<u>\$ 1,981</u>	<u>\$ 1.96</u>

Note: Figures may not sum due to rounding.

\*\* Not applicable

<sup>1</sup> Q4'20 and Q4'19, net gains of \$220 million and \$119 million, respectively, were primarily related to unrealized fair market value adjustments on marketable and non-marketable equity securities.

<sup>2</sup> Q4'20 pre-tax charges of \$45 million related to an ongoing confidential legal matter associated with the company's prepaid cards in the U.K. This matter relates to the company's historical business and has no impact on current or on-going operations.

<sup>3</sup> Q4'19 tax benefit of \$27 million related to additional foreign tax credits which can be carried back under the transition rules contained in the final foreign tax credit regulations issued in 2019.



# Appendix A (continued)

## Non-GAAP Reconciliation

### Three Months Ended December 31, 2020 as compared to the Three Months Ended December 31, 2019

	Increase/(Decrease)						
	Net revenue	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	(7)%	2 %	(14)%	(4.4) ppt	2.5 ppt	(15)%	(14)%
(Gains) losses on equity investments <sup>1</sup>	**	**	**	**	0.6 ppt	(5)%	(6)%
Litigation provisions <sup>2</sup>	**	(2)%	2 %	1.1 ppt	(0.4) ppt	2 %	2 %
Tax Act <sup>3</sup>	**	**	**	**	(1.2) ppt	1 %	1 %
Non-GAAP	(7)%	— %	(12)%	(3.3) ppt	1.5 ppt	(17)%	(16)%
Currency impact <sup>4</sup>	— %	— %	— %	0.1 ppt	(0.1) ppt	— %	— %
Non-GAAP - currency-neutral	(7)%	— %	(12)%	(3.2) ppt	1.5 ppt	(17)%	(16)%

Note: Figures may not sum due to rounding.

\*\* Not applicable

<sup>1</sup> Q4'20 and Q4'19, net gains of \$220 million and \$119 million, respectively, were primarily related to unrealized fair market value adjustments on marketable and non-marketable equity securities.

<sup>2</sup> Q4'20 pre-tax charges of \$45 million related to an ongoing confidential legal matter associated with the company's prepaid cards in the U.K. This matter relates to the company's historical business and has no impact on current or on-going operations.

<sup>3</sup> Q4'19 tax benefit of \$27 million related to additional foreign tax credits which can be carried back under the transition rules contained in the final foreign tax credit regulations issued in 2019.

<sup>4</sup> Represents the translational and transactional impact of currency.



# Appendix B

## Non-GAAP Reconciliation

### First quarter 2021 operating expenses outlook

	Q1'21 vs. Q1'20 Increase/(Decrease)
<b>Forecasted Growth - GAAP<sup>1</sup></b>	Low-double-digits
<b>Litigation provisions<sup>2</sup></b>	0%
<b>Non-GAAP Growth</b>	Low-double-digits
<b>Currency impact<sup>3</sup></b>	(2)%
<b>Acquisitions<sup>4</sup></b>	(4-5)%
<b>Non-GAAP Growth, currency neutral, excluding acquisitions</b>	Mid-single-digits

\*\* Not applicable.

<sup>1</sup> GAAP - Q1'21 Forecast versus Q1'20 reported results

<sup>2</sup> Impact of Q1'20 provisions for litigation (\$6M).

<sup>3</sup> Represents the projected translational and transactional impact of currency.

<sup>4</sup> Acquisitions closed after the beginning of 2020..



# Appendix C

## Revenue Growth Drivers

	Three Months Ended December 31, 2020				
	Volume	Acquisitions	Currency Impact <sup>1</sup>	Other <sup>2</sup>	Total
Domestic assessments	1 %	— %	(3)%	— % <sup>3</sup>	(1)%
Cross-border volume fees	(29)%	— %	1 %	(12)%	(40)%
Transaction processing	4 %	— %	1 %	— %	5 %
Other revenues	**	1 %	(1)%	16 % <sup>4</sup>	16 %
Rebates and incentives	(7)% <sup>5</sup>	— %	(1)%	8 % <sup>6</sup>	— %
Net revenue	(3)%	1 %	— %	(4)%	(7)%

Note: Figures may not sum due to rounding.

\*\* Not applicable

<sup>1</sup> Represents the translational and transactional impact of currency.

<sup>2</sup> Includes impact from pricing, other non-volume based fees and geographic mix.

<sup>3</sup> Includes impact of the allocation of revenue to service deliverables, which are primarily recorded in other revenue when services are performed.

<sup>4</sup> Includes impacts from cyber and intelligence fees, data analytics and consulting fees and other payment-related products and services.

<sup>5</sup> Includes the impact from mix on incentive-related volumes.

<sup>6</sup> Includes the impact of new, renewed and expired agreements.



## Appendix D

# Operating Expense Growth Drivers (Non-GAAP)

	Three Months Ended December 31, 2020				
	Operational	Special Items <sup>1</sup>	Acquisitions	Currency Impact <sup>2</sup>	Total
General and administrative	(1)%	**	3 %	— %	3 %
Advertising and marketing	(18)%	**	1 %	— %	(17)%
Depreciation and amortization	(1)%	**	3 %	1 %	3 %
Total operating expense	(3)%	2 %	3 %	— %	2 %

Note: Figures may not sum due to rounding.

\*\* Not applicable

<sup>1</sup> Q4'20 pre-tax charges of \$45 million related to an ongoing confidential legal matter associated with the company's prepaid cards in the U.K. This matter relates to the company's historical business and has no impact on current or on-going operations.

<sup>2</sup> Represents the translational and transactional impact of currency.





# Appendix E

## 4th Quarter G&A Detail

(\$ in millions)

	4Q 20	4Q 19	Increase/(Decrease)	
			\$	%
Personnel	\$ 970	\$ 936	\$ 34	4 %
Professional fees	126	154	(28)	(18)%
Data processing and telecommunications	205	178	27	15 %
Foreign exchange activity <sup>1</sup>	19	20	(1)	(4)%
Other	305	291	14	5 %
Total general and administrative expenses	<u>\$ 1,625</u>	<u>\$ 1,579</u>	<u>\$ 46</u>	<u>3 %</u>

Note: Figures may not sum due to rounding.

\*\* Not applicable

<sup>1</sup> Foreign exchange activity includes gains and losses on foreign exchange derivative contracts and the impact of remeasurement of assets and liabilities denominated in foreign currencies.

