

# Mastercard Incorporated

Second Quarter 2022 Financial Results Conference Call

July 28, 2022



# Business Update

————— Key Trends

————— Business Highlights

————— Financial Overview



# 2nd Quarter Selected Financial Performance

(\$ in millions, except per share data)

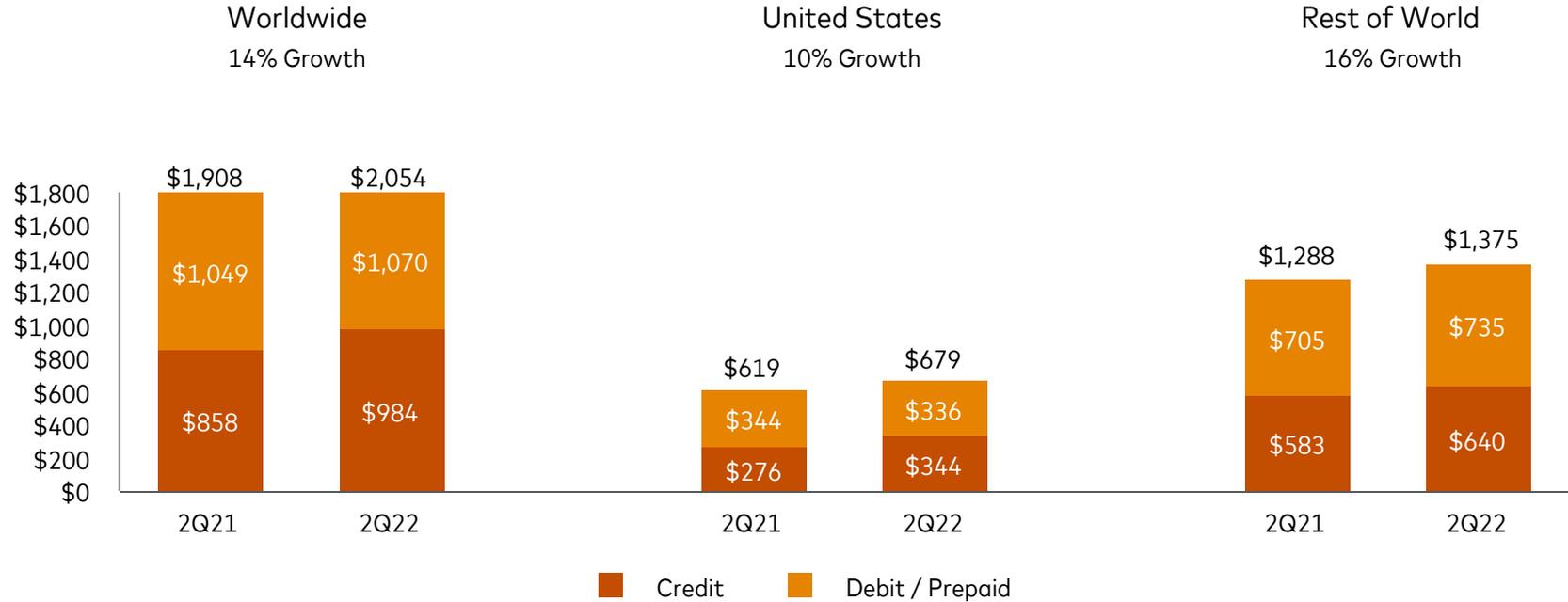
	2Q 22	2Q 21	YOY Growth	
	Non-GAAP	Non-GAAP	As adjusted	Currency-neutral
Adjusted net revenue	\$ 5,491	\$ 4,528	21%	27%
Adjusted operating expenses	2,313	2,121	9%	12%
Adjusted operating income	3,178	2,407	32%	40%
<i>Adjusted operating margin</i>	57.9 %	53.2 %	4.7 ppt	5.4 ppt
Adjusted net income	\$ 2,497	\$ 1,937	29%	37%
Adjusted diluted EPS	\$ 2.56	\$ 1.95	31%	40%
Adjusted effective tax rate	18.8%	15.9 %		

Note: See Appendix A for Non-GAAP reconciliation.



# 2nd Quarter Gross Dollar Volume (GDV)

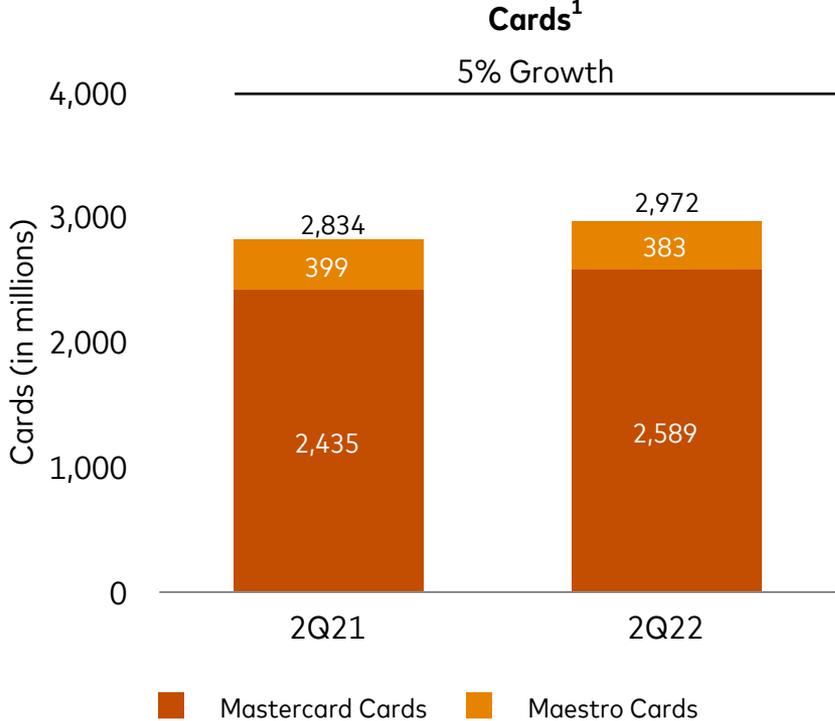
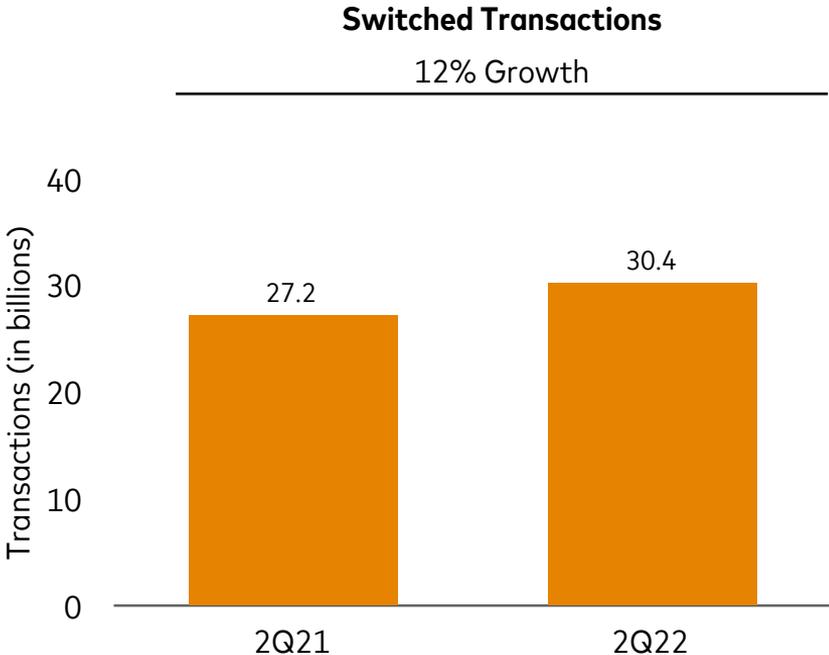
(\$ in billions)



Notes: Growth rates are shown in local currency.  
Figures may not sum due to rounding.  
Subsequent to the suspension of our business operations in Russia in March 2022, there is no Russian data to be reported.



# 2nd Quarter Switched Transactions and Cards



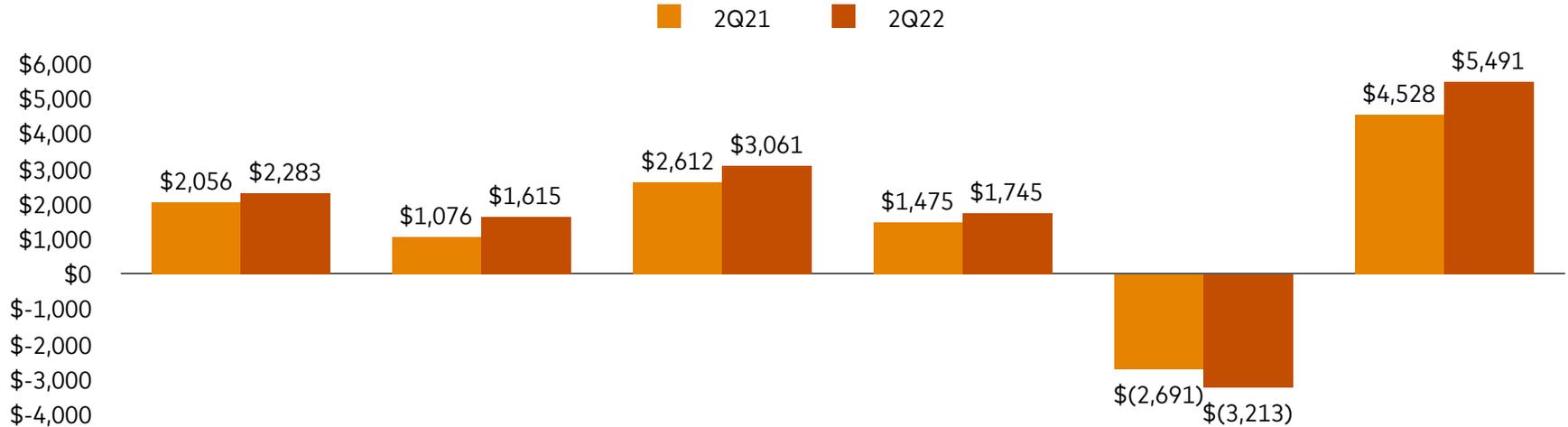
1. Subsequent to the suspension of our business operations in Russia in March 2022, there is no Russian data to be reported.

Note: Figures may not sum due to rounding.



# 2nd Quarter Adjusted Revenue

(\$ in millions)



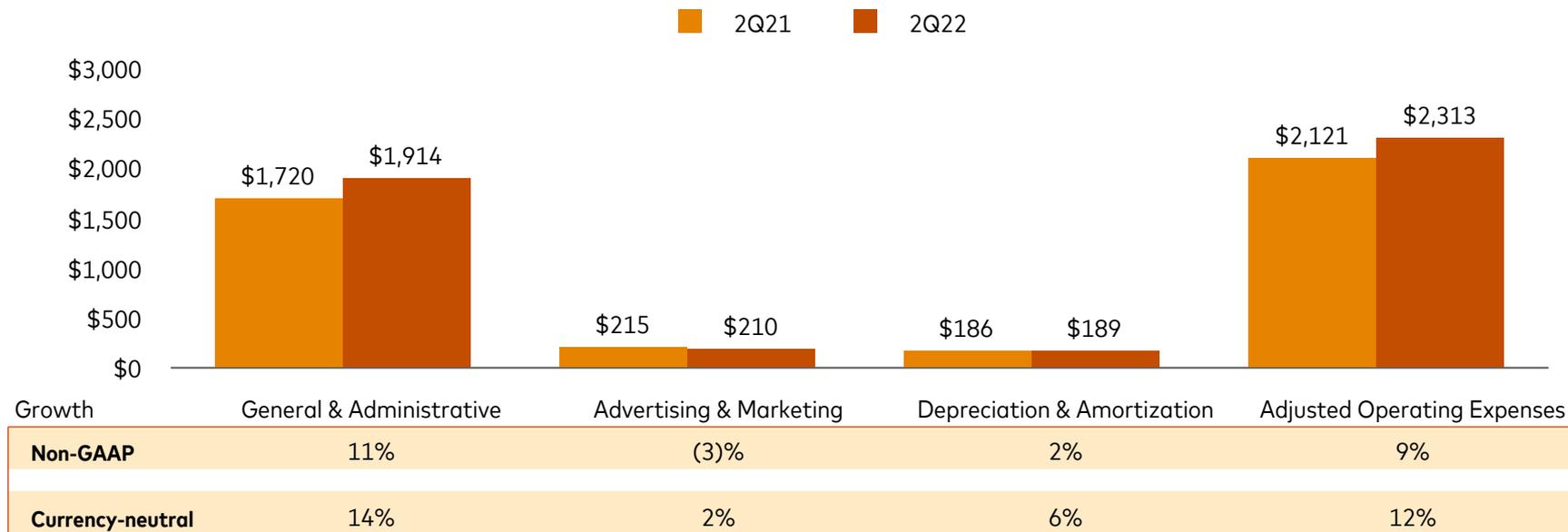
	Domestic Assessments	Cross-Border Volume Fees	Transaction Processing	Other Revenues	Rebates and Incentives	Adjusted Net Revenue
<b>Non-GAAP</b>	11%	50%	17%	18%	19%	21%
<b>Currency-neutral</b>	13%	61%	22%	23%	23%	27%

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



# 2nd Quarter Adjusted Operating Expenses

(\$ in millions)



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



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

	Year-over-year growth %					Current period as a percentage of 2019 <sup>1</sup>				
	2022				2022	2022				2022
	Apr	May	Jun	Q2	Jul 21 MTD	Apr	May	Jun	Q2	Jul 21 MTD
<b>Switched volume<sup>2</sup></b>	<b>24%</b>	<b>20%</b>	<b>19%</b>	<b>21%</b>	<b>18%</b>	<b>154%</b>	<b>156%</b>	<b>153%</b>	<b>154%</b>	<b>154%</b>
United States	13%	10%	13%	12%	12%	146%	147%	144%	146%	146%
Worldwide less U.S.	34%	30%	25%	29%	24%	162%	164%	161%	162%	161%
<b>Switched transactions</b>	<b>14%</b>	<b>12%</b>	<b>9%</b>	<b>12%</b>	<b>10%</b>	<b>140%</b>	<b>145%</b>	<b>140%</b>	<b>142%</b>	<b>143%</b>
<b>Cross-border volume<sup>2</sup></b>	<b>61%</b>	<b>59%</b>	<b>57%</b>	<b>58%</b>	<b>54%</b>	<b>132%</b>	<b>143%</b>	<b>140%</b>	<b>139%</b>	<b>140%</b>
Intra-Europe	64%	60%	54%	59%	48%	148%	158%	154%	154%	152%
Other Cross-border	57%	57%	60%	58%	60%	119%	130%	127%	125%	128%
XB CNP ex travel	5%	5%	11%	7%	16%	183%	183%	177%	181%	173%
XB Travel (CP + CNP travel)	176%	154%	115%	144%	89%	108%	124%	123%	118%	126%

1. Represents volume or transactions expressed as a percentage of the comparable 2019 amounts, adjusted for currency impacts.

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



# Looking Ahead

———— Further thoughts on 2022



# Appendices



# Appendix A

## Non-GAAP Reconciliation

(\$ in millions, except per share data)

	Three Months Ended June 30, 2022							
	Net revenue	Operating expenses	Operating income	Operating margin	Other income (expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 5,497	\$ 2,479	\$ 3,018	54.9 %	\$ (220)	18.7 %	\$ 2,275	\$ 2.34
(Gains) losses on equity investments <sup>1</sup>	**	**	**	**	117	(0.6)%	113	0.12
Litigation provisions <sup>2</sup>	**	(133)	133	2.4	**	0.7 %	89	0.09
Russia-related impacts <sup>3</sup>	(6)	(33)	26	0.5	**	— %	20	0.02
Adjusted - Non-GAAP	<u>\$ 5,491</u>	<u>\$ 2,313</u>	<u>\$ 3,178</u>	<u>57.9 %</u>	<u>\$ (104)</u>	<u>18.8 %</u>	<u>\$ 2,497</u>	<u>\$ 2.56</u>

	Three Months Ended June 30, 2021							
	Net revenue	Operating expenses	Operating income	Operating margin	Other income (expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 4,528	\$ 2,187	\$ 2,341	51.7 %	\$ 137	16.6 %	\$ 2,066	\$ 2.08
(Gains) losses on equity investments <sup>1</sup>	**	**	**	**	(243)	(0.9)%	(182)	(0.18)
Litigation provisions <sup>4</sup>	**	(67)	67	1.5 %	**	0.2 %	52	0.05
Adjusted - Non-GAAP	<u>\$ 4,528</u>	<u>\$ 2,121</u>	<u>\$ 2,407</u>	<u>53.2 %</u>	<u>\$ (106)</u>	<u>15.9 %</u>	<u>\$ 1,937</u>	<u>\$ 1.95</u>

Note: Figures may not sum due to rounding.

\*\* Not applicable.

<sup>1</sup> Q2'22 and Q2'21, pre-tax net losses of \$117 million and pre-tax net gains of \$243 million, respectively, were primarily related to unrealized fair market value adjustments on marketable and nonmarketable equity securities.

<sup>2</sup> Q2'22 pre-tax charges of \$133 million are as a result of a change in estimate related to the claims of merchants who opted out of the U.S. merchant class litigation.

<sup>3</sup> Q2'22 pre-tax charges of \$26 million were directly related to imposed sanctions and the suspension of our business operations in Russia. The net charge is comprised of general and administrative expenses of \$33 million primarily related to incremental employee-related costs, offset by a net benefit of \$6 million in rebates and incentives (contra-revenue) primarily related to a reduction in liabilities as a result of lower estimates of customer performance for certain customer business agreements due to the suspension of our business operations in Russia.

<sup>4</sup> Q2'21 pre-tax charges of \$67 million related to litigation settlements and estimated attorney's fees with U.K. merchants.



# Appendix A (continued)

## Non-GAAP Reconciliation

### Three Months Ended June 30, 2022 as compared to the Three Months Ended June 30, 2021

	Increase/(Decrease)						
	Net revenue	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	21 %	13 %	29 %	3.2 ppt	2.1 ppt	10 %	13 %
(Gains) losses on equity investments <sup>1</sup>	**	**	**	**	0.3 ppt	17 %	17 %
Litigation provisions <sup>2,4</sup>	**	(3)%	2 %	1.0 ppt	0.5 ppt	1 %	1 %
Russia-related impacts <sup>3</sup>	— %	(2)%	1 %	0.5 ppt	— ppt	1 %	1 %
Adjusted - Non-GAAP	21 %	9 %	32 %	4.7 ppt	2.9 ppt	29 %	31 %
Currency impact <sup>4</sup>	6 %	3 %	8 %	0.8 ppt	0.1 ppt	8 %	9 %
Adjusted - Non-GAAP - currency-neutral	27 %	12 %	40 %	5.4 ppt	3.1 ppt	37 %	40 %

Note: Figures may not sum due to rounding.

\*\* Not applicable.

<sup>1</sup> Q2'22 and Q2'21, pre-tax net losses of \$117 million and pre-tax net gains of \$243 million, respectively, were primarily related to unrealized fair market value adjustments on marketable and nonmarketable equity securities.

<sup>2</sup> Q2'22 pre-tax charges of \$133 million are as a result of a change in estimate related to the claims of merchants who opted out of the U.S. merchant class litigation.

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<sup>4</sup> Q2'21 pre-tax charges of \$67 million related to litigation settlements and estimated attorney's fees with U.K. merchants.



# Appendix B

## Non-GAAP Reconciliation

2022 financial outlook

	Prior 2022 vs. 2021 Increase/(Decrease)		Updated 2022 vs. 2021 Increase/(Decrease)	
	Net Revenue	Operating Expenses	Net Revenue	Operating Expenses
<b>Forecasted Growth - GAAP<sup>1</sup></b>	High-end of mid-teens	High-single-digits	Low-end of high-teens	Low-end of low-double-digits
<b>Russia-related impacts<sup>2</sup></b>	-%	-%	-%	(1)%
<b>Litigation provisions<sup>3,4</sup></b>	**	1%	**	-%
<b>Indirect tax matter<sup>5</sup></b>	**	1%	**	1%
<b>Non-GAAP Growth</b>	High-end of mid-teens	Low-end of low-double-digits	Low-end of high-teens	Low-end of low-double-digits
<b>Currency impact<sup>6</sup></b>	3-4%	2-3%	5-6%	3-4%
<b>Acquisitions<sup>7</sup></b>	~(1)%	(4-5)%	~(1)%	~(4)%
<b>Non-GAAP Growth, currency-neutral, excl. acq.</b>	High-end of high-teens	High-single-digits	Low-twenties	Low-end of low-double-digits

\*\* Not applicable.

<sup>1</sup> GAAP - FY2022 forecast versus FY2021 reported results.

<sup>2</sup> Impact of FY2022 Russia-related impacts (\$37M) in net revenue and (\$67M) in operating expenses.

<sup>3</sup> Impact of FY2021 provisions for litigation (\$94M).

<sup>4</sup> Impact of FY2022 provisions for litigation (\$133M).

<sup>5</sup> Impact of FY2021 indirect tax matter (\$82M).

<sup>6</sup> Represents the projected translational and transactional impact of currency and the related impact of the company's foreign exchange derivative contracts designated as cash flow hedging instruments.

<sup>7</sup> Acquisitions completed after the beginning of 2021.



# Appendix C

## Non-GAAP Reconciliation

### Third quarter 2022 financial outlook

	Q3'22 vs. Q3'21 Increase/(Decrease)	
	Net Revenue	Operating Expenses
<b>Forecasted Growth - GAAP<sup>1</sup></b>	High-end of low-double-digits	High-single-digits
Litigation Provision <sup>2</sup>	**	1%
Indirect Tax Matter <sup>3</sup>	**	4%
<b>Non-GAAP Growth</b>	High-end of low-double-digits	High-end of low-double-digits
Currency impact <sup>4</sup>	7-8%	~5%
Acquisitions <sup>5</sup>	~(1)%	~(5)%
<b>Non-GAAP Growth, currency-neutral, excluding acquisitions</b>	High-end of high-teens	High-end of low-double-digits

\*\* Not applicable.

<sup>1</sup> GAAP - Q3'22 forecast versus Q3'21 reported results.

<sup>2</sup> Impact of Q3'21 litigation provision (\$27M).

<sup>3</sup> Impact of Q3'21 indirect tax matter (\$82M).

<sup>4</sup> Represents the projected translational and transactional impact of currency and the related impact of the company's foreign exchange derivative contracts designated as cash flow hedging instruments.

<sup>5</sup> Acquisitions completed after the beginning of 2021.



# Appendix D

## Business Update Through July 21<sup>st</sup> Excluding Russia<sup>1</sup>

	Year-over-year growth %					Current period as a percentage of 2019 <sup>2</sup>				
	2022				2022	2022				2022
	Apr	May	Jun	Q2	Jul 21 MTD	Apr	May	Jun	Q2	Jul 21 MTD
<b>Switched volume<sup>3</sup></b>	<b>28%</b>	<b>25%</b>	<b>25%</b>	<b>26%</b>	<b>24%</b>	<b>159%</b>	<b>161%</b>	<b>159%</b>	<b>160%</b>	<b>160%</b>
United States	13%	10%	13%	12%	12%	146%	147%	144%	146%	146%
Worldwide less U.S.	44%	41%	37%	41%	36%	170%	177%	174%	174%	174%
<b>Switched transactions</b>	<b>25%</b>	<b>22%</b>	<b>20%</b>	<b>22%</b>	<b>20%</b>	<b>151%</b>	<b>156%</b>	<b>151%</b>	<b>153%</b>	<b>153%</b>
<b>Cross-border volume<sup>3</sup></b>	<b>65%</b>	<b>65%</b>	<b>63%</b>	<b>64%</b>	<b>60%</b>	<b>135%</b>	<b>148%</b>	<b>144%</b>	<b>142%</b>	<b>144%</b>
Intra-Europe	66%	62%	56%	61%	51%	149%	161%	155%	155%	154%
Other Cross-border	65%	68%	71%	68%	71%	124%	136%	133%	131%	135%
XB CNP ex travel	8%	9%	15%	11%	21%	186%	187%	181%	185%	177%
XB Travel (CP + CNP travel)	187%	165%	123%	154%	97%	111%	128%	127%	122%	130%

1. Starting in the first quarter of 2022, as a result of imposed sanctions and the suspension of our business operations in Russia, we have provided adjusted growth rates for our key operating metrics excluding activity from Russian issued cards from the prior periods.

2. Represents volume or transactions expressed as a percentage of the comparable 2019 amounts, adjusted for currency impacts.

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

July 28, 2022

