

# Mastercard Incorporated

Second Quarter 2023 Financial Results Conference Call

July 27, 2023



# Business Update

————— Key Trends

————— Business Highlights

————— Financial Overview



# 2nd Quarter Selected Financial Performance

(\$ in millions, except per share data)

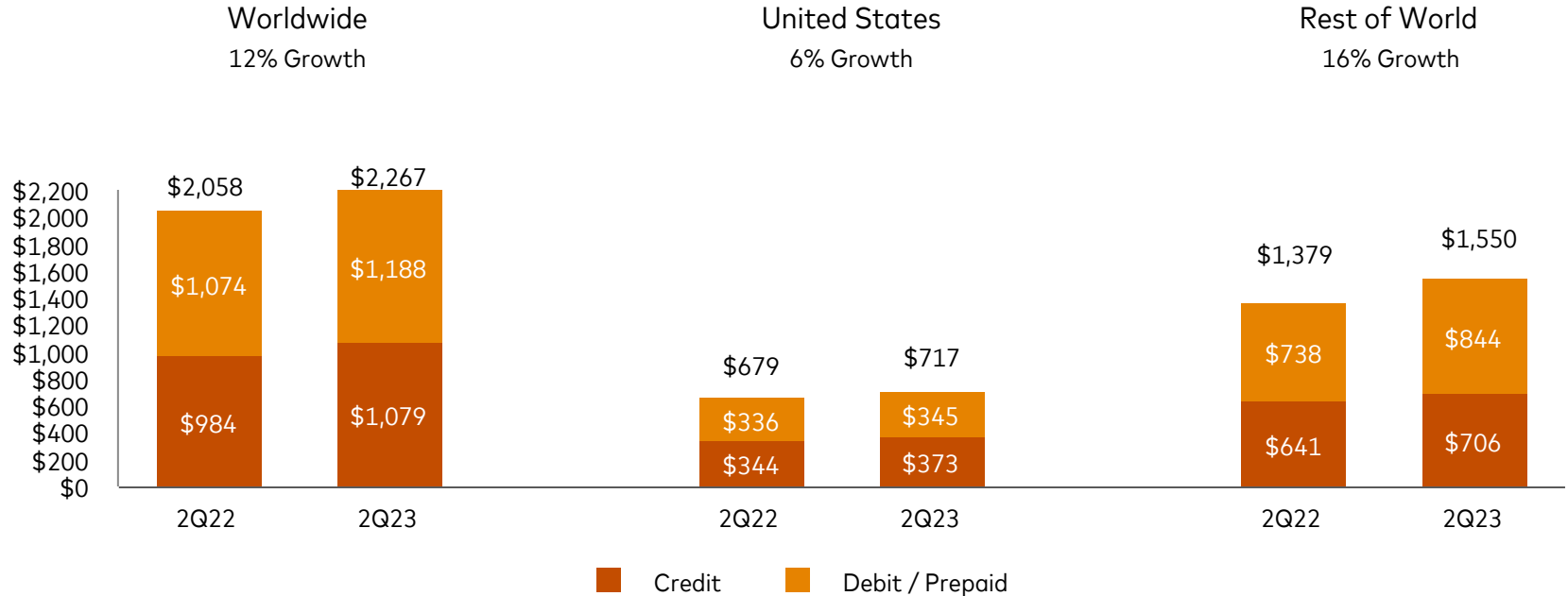
	2Q 23	2Q 22	YOY Growth	
	Non-GAAP	Non-GAAP	As adjusted	Currency-neutral
Adjusted net revenue	\$ 6,269	\$ 5,491	14%	15%
Adjusted operating expenses	2,592	2,313	12%	13%
Adjusted operating income	3,677	3,178	16%	16%
<i>Adjusted operating margin</i>	58.6 %	57.9 %	0.8 ppt	0.8 ppt
Adjusted net income	\$ 2,742	\$ 2,497	10%	11%
Adjusted diluted EPS	\$ 2.89	\$ 2.56	13%	14%
Adjusted effective tax rate	23.9%	18.8 %		

Note: See Appendix A for Non-GAAP reconciliation.



# 2nd Quarter Gross Dollar Volume (GDV)

(\$ in billions)



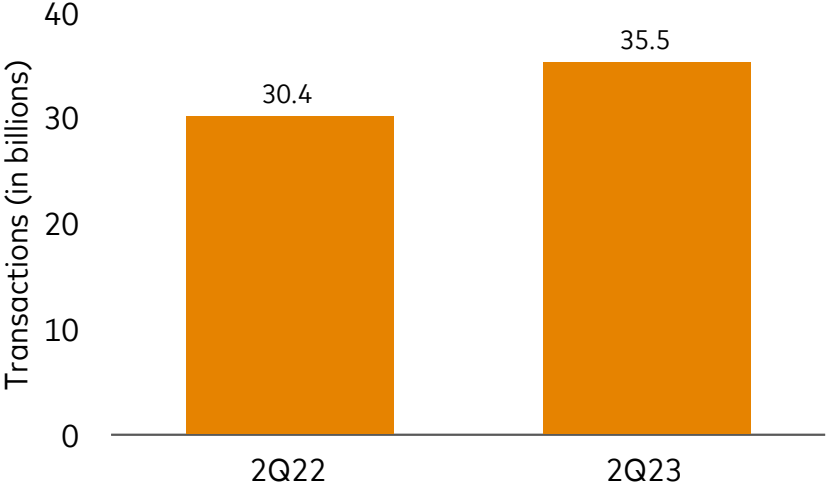
Notes: Growth rates are shown in local currency.  
Figures may not sum due to rounding.



# 2nd Quarter Switched Transactions and Cards

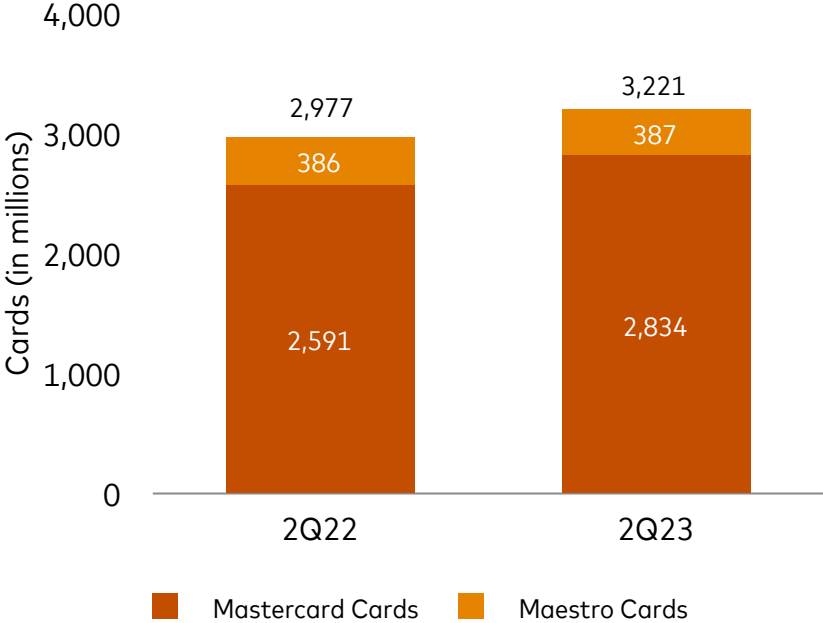
## Switched Transactions

17% Growth



## Cards

8% Growth

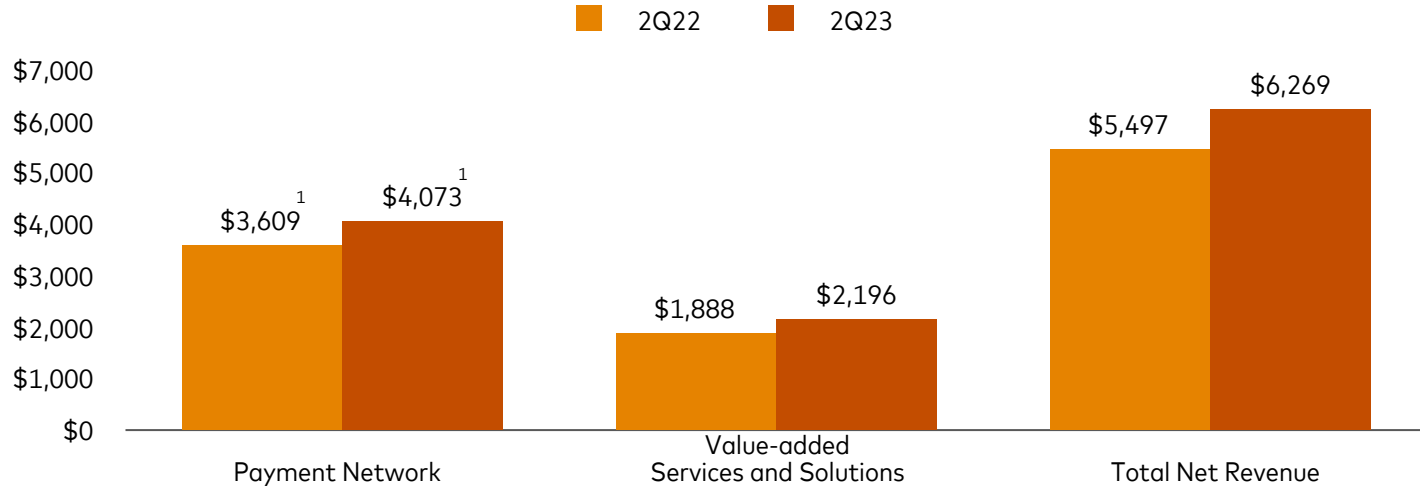


Note: Figures may not sum due to rounding.



# 2nd Quarter Net Revenue

(\$ in millions)



<b>GAAP</b>
<b>Currency-neutral</b>
<b>Adjusted Currency-neutral</b>

13%	16%
14%	16%

14%
15%
15%

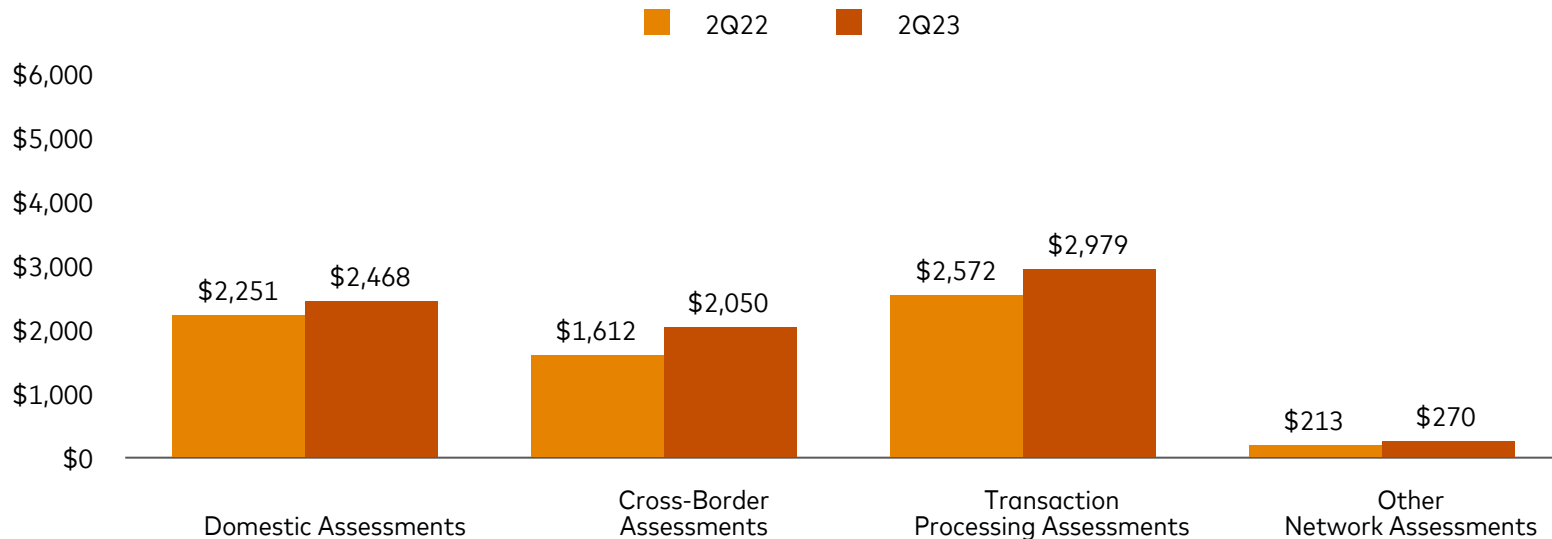
<sup>1</sup>Payment Network is presented net of rebates and incentives of \$3,694 million and \$3,039 million for Q2'23 and Q2'22, respectively, which grew by 22% as reported and on a currency-neutral basis.

Note: Q2'22 Rebates and Incentives includes the benefit of a \$6 million Special Item for Russia-related impacts as described in Appendix A.



# 2nd Quarter Key Metrics related to the Payment Network

(\$ in millions)



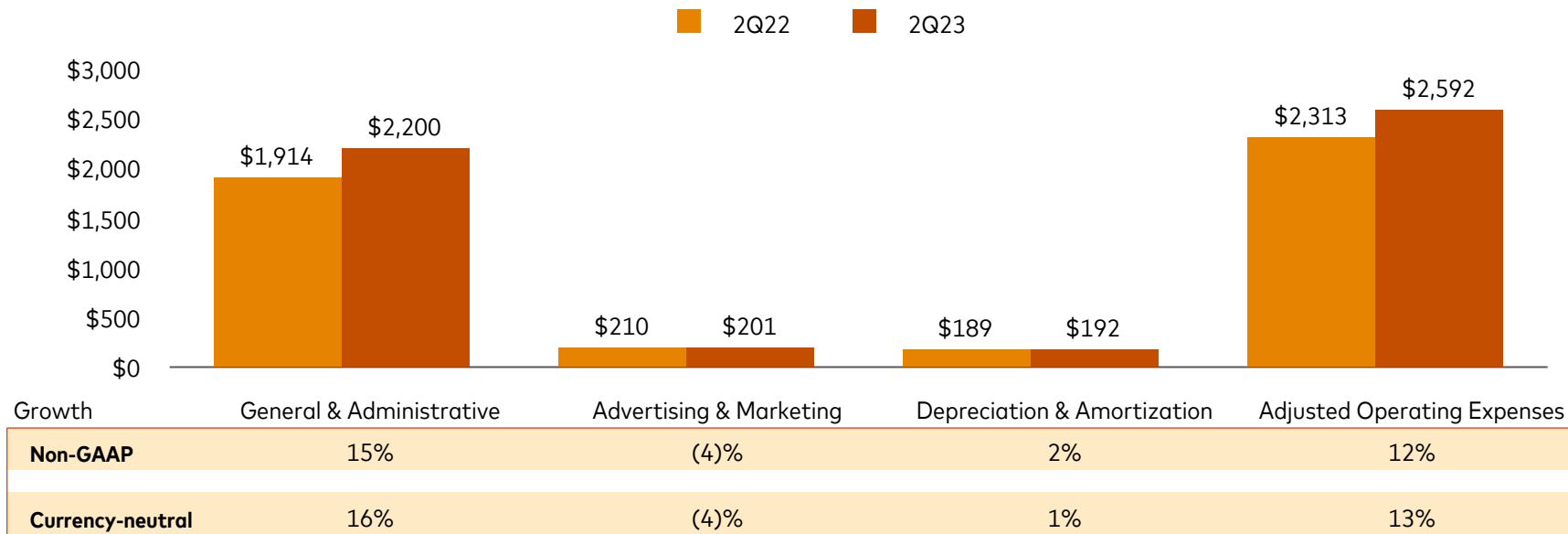
<b>Increase/(Decrease)</b>	10%	27%	16%	28%
<b>Increase/(Decrease) Currency-neutral</b>	11%	29%	16%	30%

Note: See Appendix D for Payment Network Key Metrics Definitions.



# 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>1,2</sup>					
	2023						2023					
	Q1	Apr	May	Jun	Q2	Jul 21 MTD	Q1	Apr	May	Jun	Q2	Jul 21 MTD
<b>Switched volume<sup>3</sup></b>	<b>18%</b>	<b>16%</b>	<b>15%</b>	<b>14%</b>	<b>15%</b>	<b>14%</b>	<b>179%</b>	<b>180%</b>	<b>178%</b>	<b>176%</b>	<b>178%</b>	<b>178%</b>
United States	10%	6%	8%	6%	7%	7%	156%	157%	156%	154%	155%	155%
Worldwide less U.S.	24%	25%	22%	20%	22%	20%	201%	201%	200%	197%	200%	199%
<b>Switched transactions</b>	<b>12%</b>	<b>18%</b>	<b>16%</b>	<b>16%</b>	<b>17%</b>	<b>16%</b>	<b>168%</b>	<b>167%</b>	<b>167%</b>	<b>163%</b>	<b>166%</b>	<b>165%</b>
<b>Cross-border volume<sup>3</sup></b>	<b>35%</b>	<b>27%</b>	<b>23%</b>	<b>21%</b>	<b>24%</b>	<b>22%</b>	<b>168%</b>	<b>170%</b>	<b>175%</b>	<b>170%</b>	<b>172%</b>	<b>172%</b>
Intra-Europe	32%	22%	18%	17%	19%	19%	179%	182%	188%	180%	184%	183%
Other Cross-border	39%	33%	28%	25%	29%	25%	160%	159%	164%	160%	161%	162%
XB CNP ex travel	13%	14%	16%	17%	16%	20%	208%	211%	210%	208%	210%	208%
XB Travel (CP + CNP travel)	59%	38%	28%	23%	29%	23%	148%	151%	158%	153%	154%	157%

1. Normalized to eliminate the effects of differing switching and carryover days between periods, as needed.

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.



# Looking Ahead

———— Further thoughts for 2023



# Appendices



# Appendix A

## Non-GAAP Reconciliation

(\$ in millions, except per share data)

	Three Months Ended June 30, 2023							
	Net revenue	Operating expenses	Operating income	Operating margin	Other income (expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 6,269	\$ 2,613	\$ 3,656	58.3 %	\$ 48	23.2 %	\$ 2,845	\$ 3.00
(Gains) losses on equity investments <sup>1</sup>	**	**	**	**	(123)	0.7 %	(118)	(0.12)
Litigation provisions <sup>2</sup>	**	(20)	20	0.3 %	**	— %	15	0.02
Adjusted - Non-GAAP	<u>\$ 6,269</u>	<u>\$ 2,592</u>	<u>\$ 3,677</u>	<u>58.6 %</u>	<u>\$ (75)</u>	<u>23.9 %</u>	<u>\$ 2,742</u>	<u>\$ 2.89</u>

	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>3</sup>	**	(133)	133	2.4 %	**	0.7 %	89	0.09
Russia-related impacts <sup>4</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>

Note: Figures may not sum due to rounding.

\*\* Not applicable.

<sup>1</sup> Q2'23 pre-tax net gains of \$123 million and Q2'22 pre-tax net losses of \$117 million were primarily related to unrealized fair market value adjustments on marketable equity securities.

<sup>2</sup> Q2'23 pre-tax charges of \$20 million are as a result of settlements with a number of U.K. and Pan-European merchants.

<sup>3</sup> Q2'22 pre-tax charges of \$133 million were 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>4</sup> Q2'22 pre-tax net charge of \$26 million was 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 net revenue, primarily related to a reduction in payment network rebates and incentives 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.



# Appendix A (continued)

## Non-GAAP Reconciliation

### Three Months Ended June 30, 2023 as compared to the Three Months Ended June 30, 2022

	Increase/(Decrease)						
	Net revenue	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	14 %	5 %	21 %	3.4 ppt	4.5 ppt	25 %	28 %
(Gains) losses on equity investments <sup>1</sup>	**	**	**	**	1.3 ppt	(11)%	(11)%
Litigation provisions <sup>2</sup>	**	5 %	(4)%	(2.1) ppt	(0.7) ppt	(3)%	(3)%
Russia-related impacts <sup>3</sup>	— %	2 %	(1)%	(0.5) ppt	— ppt	(1)%	(1)%
Adjusted - Non-GAAP	14 %	12 %	16 %	0.8 ppt	5.1 ppt	10 %	13 %
Currency impact <sup>4</sup>	1 %	1 %	1 %	— ppt	— ppt	1 %	1 %
Adjusted - Non-GAAP - currency-neutral	15 %	13 %	16 %	0.8 ppt	5.1 ppt	11 %	14 %

Note: Figures may not sum due to rounding.

\*\* Not applicable.

<sup>1</sup> Q2'23 pre-tax net gains of \$123 million and Q2'22 pre-tax net losses of \$117 million were primarily related to unrealized fair market value adjustments on marketable equity securities.

<sup>2</sup> Q2'23 and Q2'22 pre-tax charges of \$20 million and \$133 million, respectively, as a result of settlements with a number of U.K. and Pan-European merchants and as a result of a change in estimate related to the claims of merchants who opted out of the U.S. merchant class litigation, respectively.

<sup>3</sup> Q2'22 pre-tax net charge of \$26 million was 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 net revenue, primarily related to a reduction in payment network rebates and incentives 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> Represents the translational and transactional impact of currency and the related impact of the Company's foreign exchange derivative contracts designated as cash flow hedging instruments.



# Appendix B

## Non-GAAP Reconciliation

2023 financial outlook

	Prior 2023 vs. 2022 Increase/(Decrease)		Updated 2023 vs. 2022 Increase/(Decrease)	
	Net Revenue	Operating Expenses	Net Revenue	Operating Expenses
<b>Forecasted Growth - GAAP<sup>1</sup></b>	Low-teens	High-single-digits	Low-teens	High-single-digits
Litigation provisions <sup>2,3</sup>	**	2%	**	2%
Russia-related impacts <sup>4</sup>	-%	1%	-%	1%
<b>Non-GAAP Growth</b>	Low-teens	Low-end of low-double-digits	Low-teens	Low-end of low-double-digits
Currency impact <sup>5</sup>	~(1)%	~0%	~(1)%	~(0-1)%
Acquisitions <sup>6</sup>	~0%	~(1)%	~0%	~(1)%
<b>Non-GAAP Growth, currency-neutral, excl. acq.</b>	Low-teens	High-end of high-single-digits	Low-teens	High-end of high-single-digits

\*\* Not applicable.

<sup>1</sup> GAAP - FY2023 forecast versus FY2022 reported results.

### Full Year Special Items

<sup>2</sup> Impact of FY2022 provisions for litigation (\$356M).

<sup>3</sup> Impact of FY2023 provisions for litigation (\$231M).

<sup>4</sup> Impact of FY2022 Russia-related impacts (\$37M) in net revenue and (\$67M) in operating expenses.

### Other Notes

<sup>5</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>6</sup> Acquisitions completed after the beginning of 2022.



# Appendix C

## Non-GAAP Reconciliation

Third quarter 2023 financial outlook

**Forecasted Growth - GAAP <sup>1</sup>**

**Litigation provisions <sup>2</sup>**

**Non-GAAP Growth**

**Currency impact <sup>3</sup>**

**Acquisitions <sup>4</sup>**

**Non-GAAP Growth, currency-neutral, excluding acquisitions**

Q3'23 vs. Q3'22 Increase/(Decrease)	
Net Revenue	Operating Expenses
Low-teens	Low-single-digits
**	9%
Low-teens	Low-double-digits
~(3)%	(1-2)%
~0%	(0-1)%
Low-double-digits	High-end of high-single-digits

\*\* Not applicable.

<sup>1</sup> GAAP - Q3'23 forecast versus Q3'22 reported results.

### Third Quarter Special Items

<sup>2</sup> Impact of Q3'22 provisions for litigation (\$208M).

### Other Notes

<sup>3</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>4</sup> Acquisitions completed after the beginning of 2022.



# Key Metrics related to the Payment Network

- **Domestic assessments** are charges based on activity related to cards that carry the Company's brands where the merchant country and the country of issuance are the same. These assessments are primarily driven by the domestic dollar volume of activity (e.g., domestic purchase volume, domestic cash volume) or the number of cards issued.
- **Cross-border assessments** are charges based on activity related to cards that carry the Company's brands where the merchant country and the country of issuance are different. These assessments are primarily driven by the cross-border dollar volume of activity (e.g., cross-border purchase volume, cross-border cash volume).
- **Transaction processing assessments** are charges primarily driven by the number of switched transactions on our payment network. Switching activities include:
  - Authorization, the process by which a transaction is routed to the issuer for approval
  - Clearing, the determination and exchange of financial transaction information between issuers and acquirers after a transaction has been successfully conducted at the point of interaction
  - Settlement, which facilitates the determination and exchange of funds between partiesThese assessments can also include connectivity services and network access which are based on the volume of data transmitted and the number of authorization and settlement messages.
- **Other network assessments** are charges for licensing, implementation and other franchise fees.





# Appendix E 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>2,3</sup>					
	2023						2023					
	Q1	Apr	May	Jun	Q2	July 21 MTD	Q1	Apr	May	Jun	Q2	July 21 MTD
<b>Switched volume<sup>4</sup></b>	<b>21%</b>	<b>16%</b>	<b>15%</b>	<b>14%</b>	<b>15%</b>	<b>14%</b>	<b>184%</b>	<b>185%</b>	<b>183%</b>	<b>181%</b>	<b>183%</b>	<b>183%</b>
United States	10%	6%	8%	6%	7%	7%	156%	157%	156%	154%	155%	155%
Worldwide less U.S.	32%	25%	22%	20%	22%	20%	214%	215%	211%	209%	211%	209%
<b>Switched transactions</b>	<b>20%</b>	<b>18%</b>	<b>16%</b>	<b>16%</b>	<b>17%</b>	<b>16%</b>	<b>179%</b>	<b>179%</b>	<b>180%</b>	<b>176%</b>	<b>178%</b>	<b>177%</b>
<b>Cross-border volume<sup>4</sup></b>	<b>40%</b>	<b>27%</b>	<b>23%</b>	<b>21%</b>	<b>24%</b>	<b>22%</b>	<b>173%</b>	<b>174%</b>	<b>180%</b>	<b>174%</b>	<b>176%</b>	<b>176%</b>
Intra-Europe	34%	22%	18%	17%	19%	19%	180%	184%	189%	182%	185%	184%
Other Cross-border	47%	33%	28%	25%	29%	25%	166%	164%	171%	166%	167%	167%
XB CNP ex travel	16%	14%	16%	17%	16%	20%	212%	215%	214%	212%	214%	212%
XB Travel (CP + CNP travel)	65%	38%	28%	23%	29%	23%	152%	154%	162%	156%	158%	160%

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. Normalized to eliminate the effects of differing switching and carryover days between periods, as needed.
4. Mastercard-branded programs only; on a local currency basis.

July 27, 2023

