

Mastercard Incorporated

Fourth Quarter and Full Year 2023 Financial Results Conference Call

January 31, 2024



Business Update

————— Key Trends

————— Business Highlights

————— Financial Overview



4th Quarter Selected Financial Performance

(\$ in millions, except per share data)

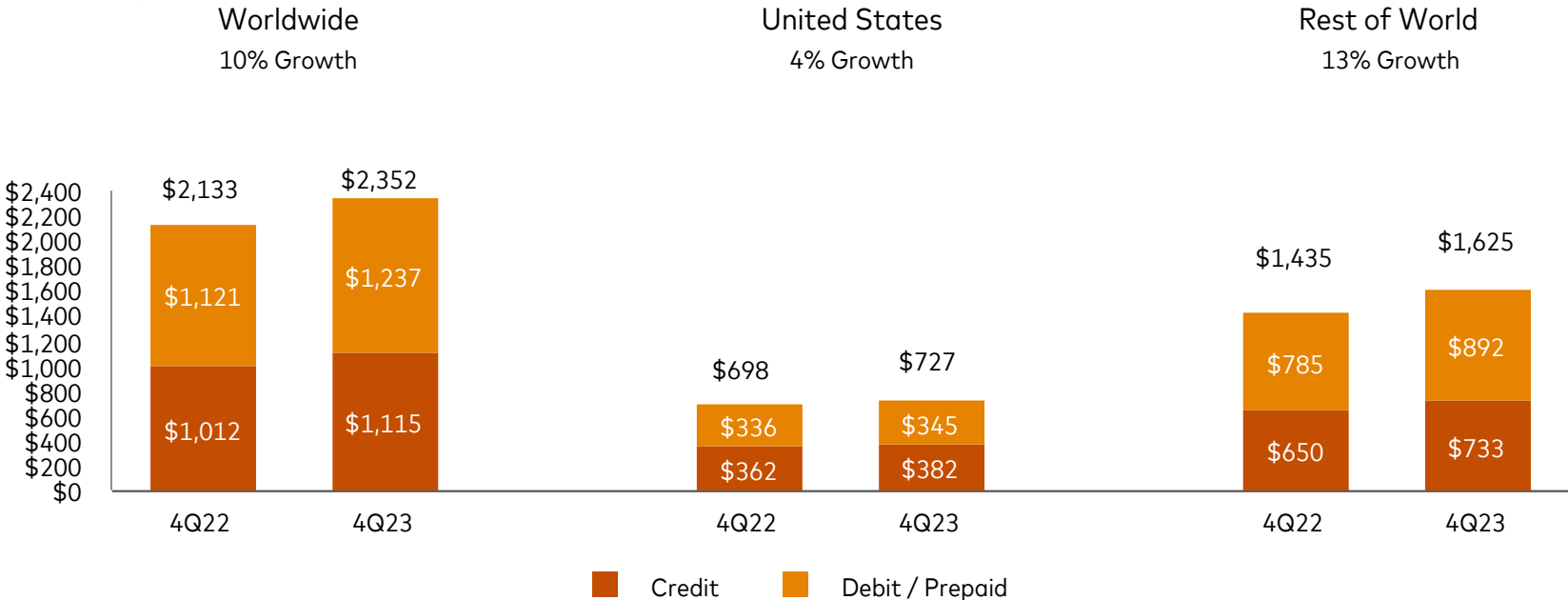
	4Q 23 Non-GAAP	4Q 22 Non-GAAP	YOY Growth	
			As adjusted	Currency-neutral
Net revenue	\$ 6,548	\$ 5,817	13%	11%
Adjusted operating expenses	2,868	2,617	10%	9%
Adjusted operating income	3,680	3,200	15%	13%
<i>Adjusted operating margin</i>	56.2 %	55.0 %	1.2 ppt	1.0 ppt
Adjusted net income	\$ 2,985	\$ 2,548	17%	15%
Adjusted diluted EPS	\$ 3.18	\$ 2.65	20%	18%
Adjusted effective tax rate	17.0%	18.2 %		

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



4th Quarter Gross Dollar Volume (GDV)

(\$ in billions)



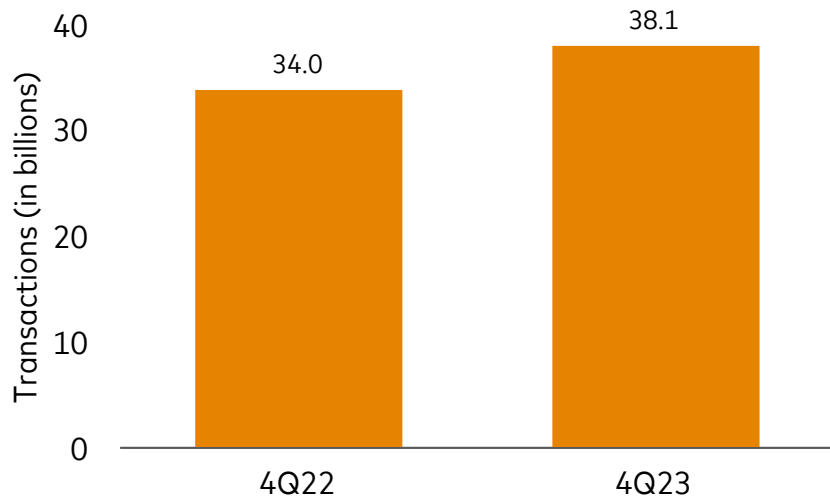
Notes: Growth rates are shown in local currency.
Figures may not sum due to rounding.



4th Quarter Switched Transactions and Cards

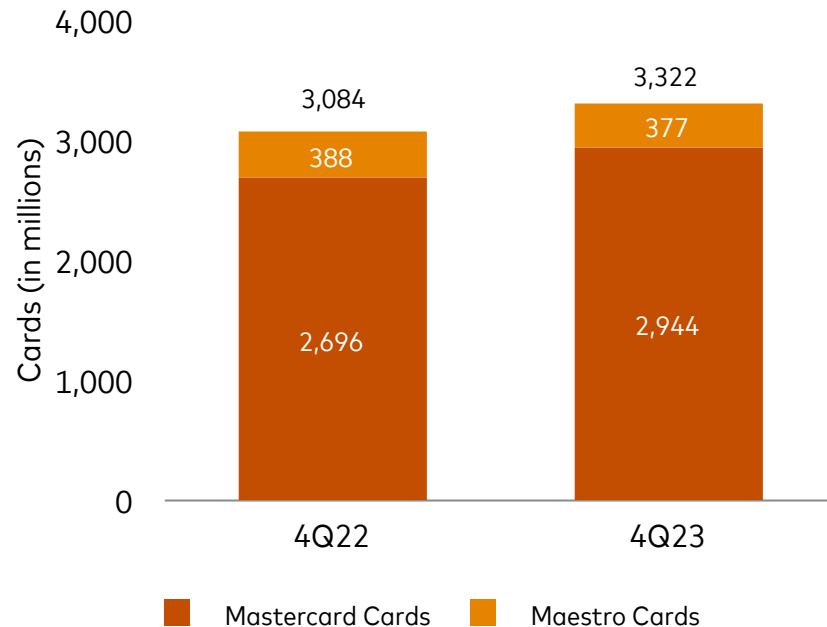
Switched Transactions

12% Growth



Cards

8% Growth

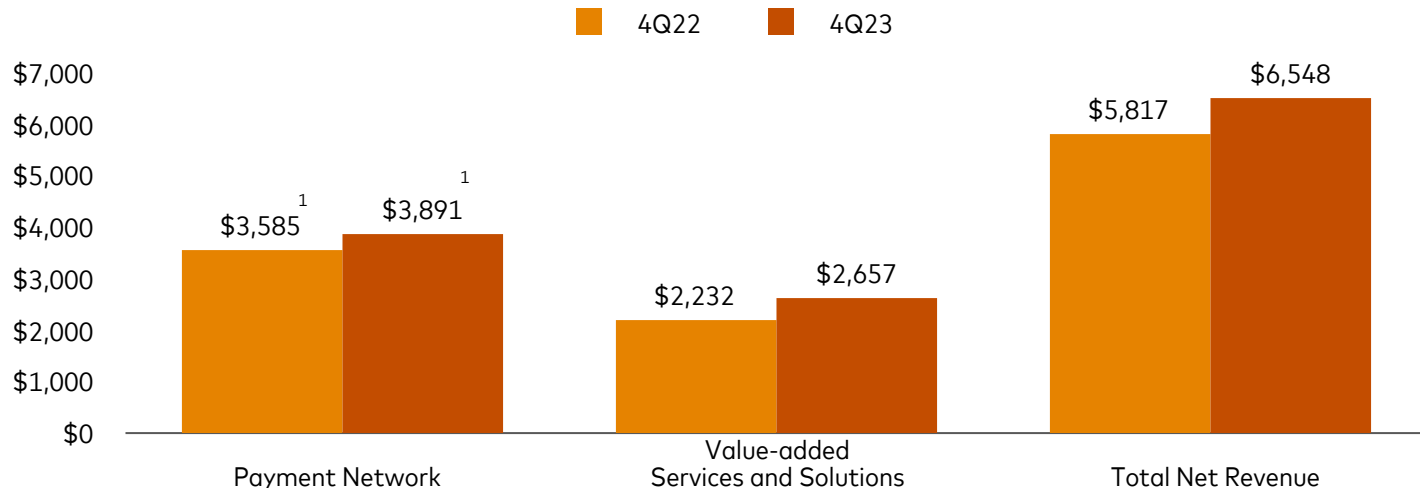


Note: Figures may not sum due to rounding.



4th Quarter Net Revenue

(\$ in millions)



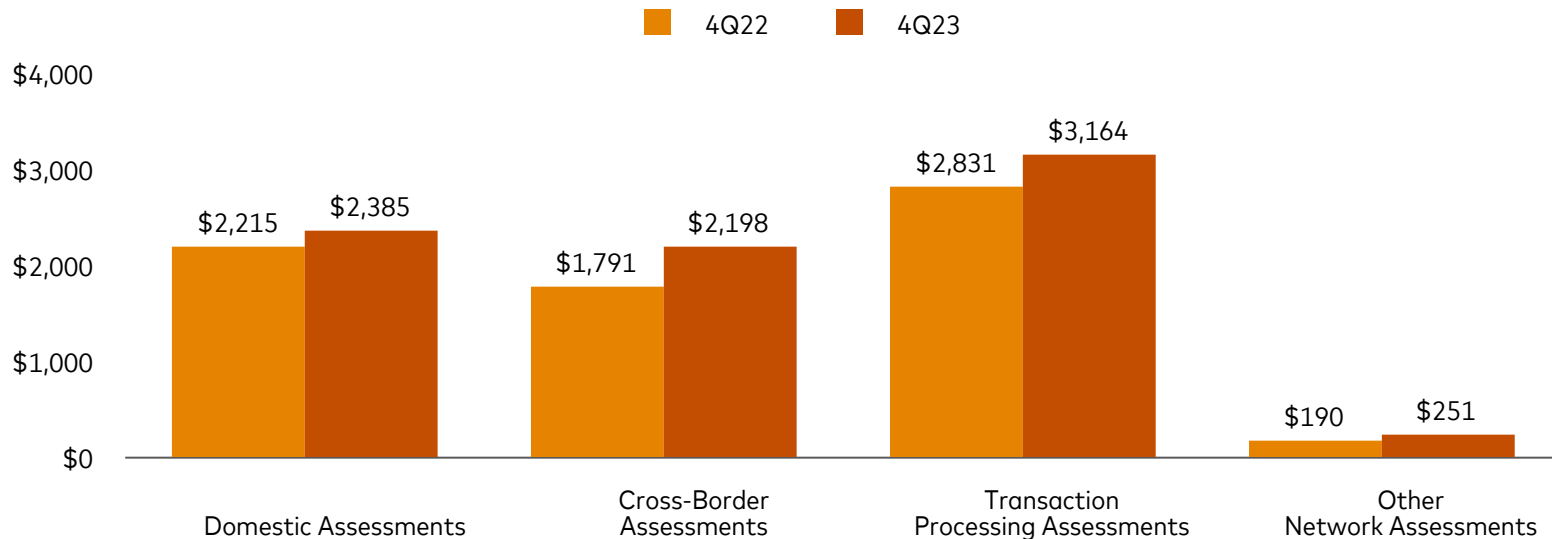
Growth	Payment Network	Value-added Services and Solutions	Total Net Revenue
GAAP	9%	19%	13%
Currency-neutral	7%	17%	11%

¹Payment Network is presented net of rebates and incentives of \$4,108 million and \$3,442 million for Q4'23 and Q4'22, respectively, which grew by 19%, or 18% on a currency-neutral basis.



4th Quarter Key Metrics related to the Payment Network

(\$ in millions)



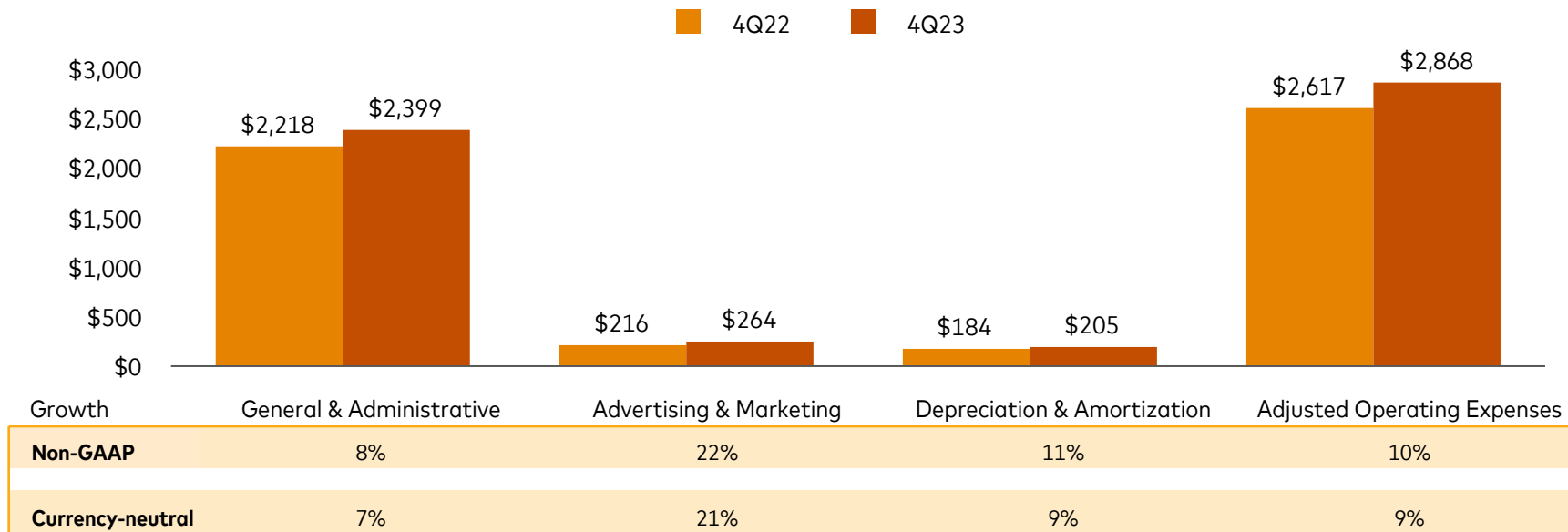
Increase/(Decrease)	8%	23%	12%	32%
Increase/(Decrease) Currency-neutral	7%	21%	10%	30%

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



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 28th

	Year-over-year growth %					
	2023					2024
	Q3	Oct	Nov	Dec	Q4	Jan 28 MTD
Switched volume ¹	14%	10%	11%	10%	11%	10%
United States	7%	4%	6%	5%	5%	4%
Worldwide less U.S.	19%	15%	15%	14%	15%	14%
Switched transactions	15%	11%	12%	13%	12%	11%
Cross-border volume ¹	21%	20%	18%	16%	18%	18%
Intra-Europe	19%	18%	17%	16%	17%	17%
Other Cross-border	24%	21%	19%	16%	19%	19%
XB CNP ex travel	19%	18%	19%	17%	18%	20%
XB Travel (CP + CNP travel)	23%	21%	17%	16%	18%	16%

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

January 31, 2024



Looking Ahead

———— Thoughts on 2024



Appendices



Appendix A

Non-GAAP Reconciliation

(\$ in millions, except per share data)

	Three Months Ended December 31, 2023							
	Net revenue	Operating expenses	Operating income	Operating margin	Other income (expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 6,548	\$ 3,176	\$ 3,372	51.5 %	\$ (51)	16.0 %	\$ 2,791	\$ 2.97
(Gains) losses on equity investments ¹	**	**	**	**	(34)	(0.1)%	(27)	(0.03)
Litigation provisions ²	**	(308)	308	4.7 %	**	1.1 %	221	0.24
Adjusted - Non-GAAP	<u>\$ 6,548</u>	<u>\$ 2,868</u>	<u>\$ 3,680</u>	<u>56.2 %</u>	<u>\$ (85)</u>	<u>17.0 %</u>	<u>\$ 2,985</u>	<u>\$ 3.18</u>

	Three Months Ended December 31, 2022							
	Net revenue	Operating expenses	Operating income	Operating margin	Other income (expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 5,817	\$ 2,633	\$ 3,184	54.7 %	\$ (95)	18.3 %	\$ 2,525	\$ 2.62
(Gains) losses on equity investments ¹	**	**	**	**	12	(0.1)%	12	0.01
Litigation provisions ³	**	(15)	15	0.3 %	**	— %	12	0.01
Adjusted - Non-GAAP	<u>\$ 5,817</u>	<u>\$ 2,617</u>	<u>\$ 3,200</u>	<u>55.0 %</u>	<u>\$ (84)</u>	<u>18.2 %</u>	<u>\$ 2,548</u>	<u>\$ 2.65</u>

Note: Figures may not sum due to rounding.

** Not applicable.

¹ Q4'23 net pre-tax gains of \$34 million and Q4'22 net pre-tax losses of \$12 million primarily related to realized and unrealized fair market value adjustments on marketable and nonmarketable equity securities.

² Q4'23 pre-tax charges of \$308 million related to litigation provisions which included pre-tax charges of \$175 million as a result of settlements with a number of U.K. and Pan-European merchants and \$133 million as a result of a change in estimate related to the claims of merchants who opted out of the U.S. merchant class litigation.

³ Q4'22 pre-tax charges of \$15 million as a result of settlements (both final and agreements in principle) with a number of U.K. merchants.



Appendix A (continued)

Non-GAAP Reconciliation

Three Months Ended December 31, 2023 as compared to the Three Months Ended December 31, 2022

	Increase/(Decrease)						
	Net revenue	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	13 %	21 %	6 %	(3.2) ppt	(2.3) ppt	11 %	13 %
(Gains) losses on equity investments ¹	**	**	**	**	— ppt	(2)%	(2)%
Litigation provisions ^{2,3}	**	(11)%	9 %	4.4 ppt	1.0 ppt	8 %	8 %
Adjusted - Non-GAAP	13 %	10 %	15 %	1.2 ppt	(1.3) ppt	17 %	20 %
Currency impact ⁴	(2)%	(1)%	(2)%	(0.3) ppt	(0.2) ppt	(2)%	(2)%
Adjusted - Non-GAAP - currency-neutral	11 %	9 %	13 %	1.0 ppt	(1.4) ppt	15 %	18 %

Note: Figures may not sum due to rounding.

** Not applicable.

¹ Q4'23 net pre-tax gains of \$34 million and Q4'22 net pre-tax losses of \$12 million primarily related to realized and unrealized fair market value adjustments on marketable and nonmarketable equity securities.

² Q4'23 pre-tax charges of \$308 million related to litigation provisions which included pre-tax charges of \$175 million as a result of settlements with a number of U.K. and Pan-European merchants and \$133 million as a result of a change in estimate related to the claims of merchants who opted out of the U.S. merchant class litigation.

³ Q4'22 pre-tax charges of \$15 million as a result of settlements (both final and agreements in principle) with a number of U.K. merchants.

⁴ 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

2024 financial outlook

	2024 vs. 2023 Increase/(Decrease)	
	Net Revenue	Operating Expenses
Forecasted Growth - GAAP ¹	High-end of low-double-digits	Mid-single-digits
Litigation provisions ²	**	5%
Non-GAAP Growth	High-end of low-double-digits	Low-end of low-double-digits
Currency impact ³	~0%	~0%
Acquisitions ⁴	~0%	~0%
Non-GAAP Growth, currency-neutral, excluding acquisitions	High-end of low-double-digits	Low-end of low-double-digits

** Not applicable.

¹ GAAP - FY2024 forecast versus FY2023 reported results.

Full Year Special Items

² Impact of FY2023 litigation provisions (\$539M).

Other Notes

³ 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.

⁴ Acquisitions completed after the beginning of 2023.



Appendix C

Non-GAAP Reconciliation

First quarter 2024 financial outlook

	Q1'24 vs. Q1'23 Increase/(Decrease)	
	Net Revenue	Operating Expenses
Forecasted Growth - GAAP ¹	Low-end of low-double-digits	Minimal
Litigation provisions ²	**	9%
Non-GAAP Growth	Low-end of low-double-digits	High-end of high-single-digits
Currency impact ³	~0%	(0-1)%
Acquisitions ⁴	~0%	(0-1)%
Non-GAAP Growth, currency-neutral, excluding acquisitions	Low-end of low-double-digits	High-end of high-single-digits

** Not applicable.

¹ GAAP - Q1'24 forecast versus Q1'23 reported results.

First Quarter Special Items

² Impact of Q1'23 litigation provision (\$211M).

Other Notes

³ 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.

⁴ Acquisitions completed after the beginning of 2023.



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

Revenue Growth Drivers

Three Months Ended December 31, 2023 as compared to the Three Months Ended December 31, 2022

	<u>Operational</u>	<u>Acquisitions</u>	<u>Currency Impact^{1,2}</u>	<u>Total</u>
Payment network	7 %	**	1 %	9 %
Value-added services and solutions	17 %	— %	2 %	19 %
Net revenue	11 %	— %	2 %	13 %

Note: Figures may not sum due to rounding.

** Not applicable

¹ Includes the translational and transactional impact of currency and related impact of our foreign exchange derivative contracts designated as cash flow hedging instruments.

² See Appendix A for Non-GAAP reconciliation.



Appendix F

Operating Expense Growth Drivers (Non-GAAP)¹

	Three Months Ended December 31, 2023 as compared to the Three Months Ended December 31, 2022				
	Operational	Special Items ¹	Acquisitions	Currency Impact ²	Total
General and administrative	7 %	**	1 %	1 %	8 %
Advertising and marketing	20 %	**	— %	2 %	22 %
Depreciation and amortization	10 %	**	— %	2 %	11 %
Total operating expense	8 %	11 %	— %	1 %	21 %

Note: Figures may not sum due to rounding.

** Not applicable

¹ See Appendix A for Non-GAAP reconciliation.

² Represents the translational and transactional impact of currency.



Appendix G

4th Quarter G&A Detail

(\$ in millions)

	4Q 23	4Q 22	Increase/(Decrease)	
			\$	%
Personnel	\$ 1,528	\$ 1,381	\$ 147	11 %
Professional fees	163	167	(4)	(2)%
Data processing and telecommunications	265	238	27	12 %
Foreign exchange activity ¹	18	(7)	25	**
Other	425	439	(14)	(3)%
Total general and administrative expenses	<u>\$ 2,399</u>	<u>\$ 2,218</u>	<u>\$ 181</u>	<u>8 %</u>

Note: Figures may not sum due to rounding.

** Not meaningful

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

