

# Mastercard Incorporated

First-Quarter 2020 Financial Results Conference Call



# Business Update

————— Financial Overview

————— Economics Update

————— Business Highlights



# 1st Quarter Selected Financial Performance

(\$ in millions, except per share data)

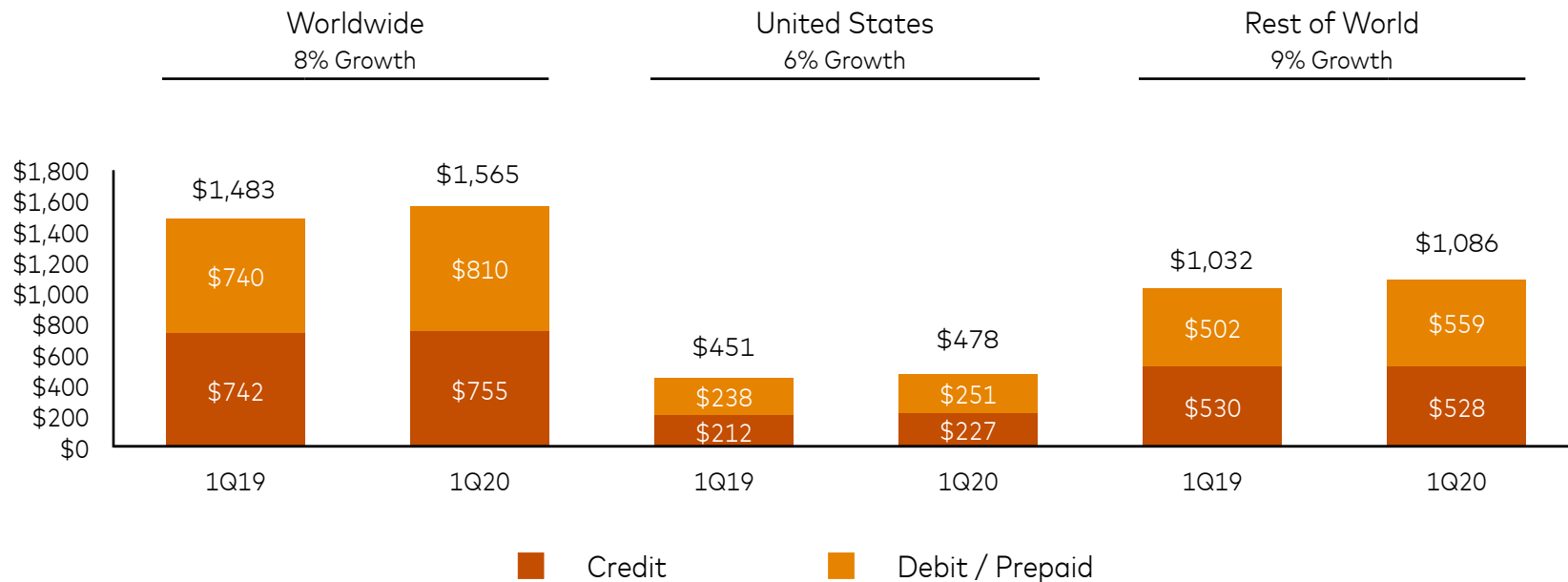
			YOY Growth	
	1Q 20 Non-GAAP	1Q 19 Non-GAAP	As adjusted	Currency Neutral
Net revenue	\$ 4,009	\$ 3,889	3%	5%
Adjusted operating expenses	1,792	1,676	7%	8%
Adjusted operating income	2,218	2,213	—%	2%
<i>Adjusted operating margin</i>	55.3%	56.9%	(1.6) ppt	(1.4) ppt
Adjusted net income	\$ 1,844	\$ 1,828	1%	3%
Adjusted diluted EPS	\$ 1.83	\$ 1.78	3%	6%
Adjusted effective tax rate	14.9%	16.8%		

Note: See Appendix A for Non-GAAP reconciliation.



# 1st Quarter Gross Dollar Volume (GDV)

(\$ in billions)

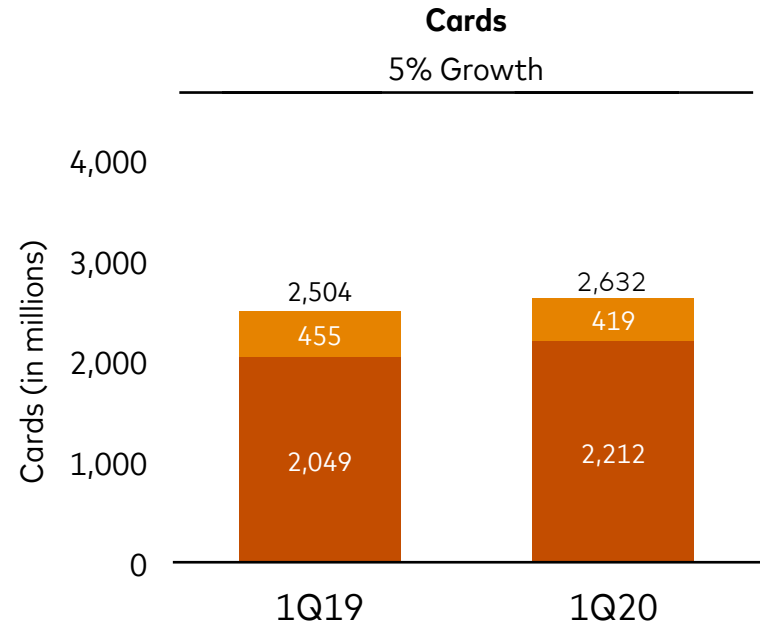
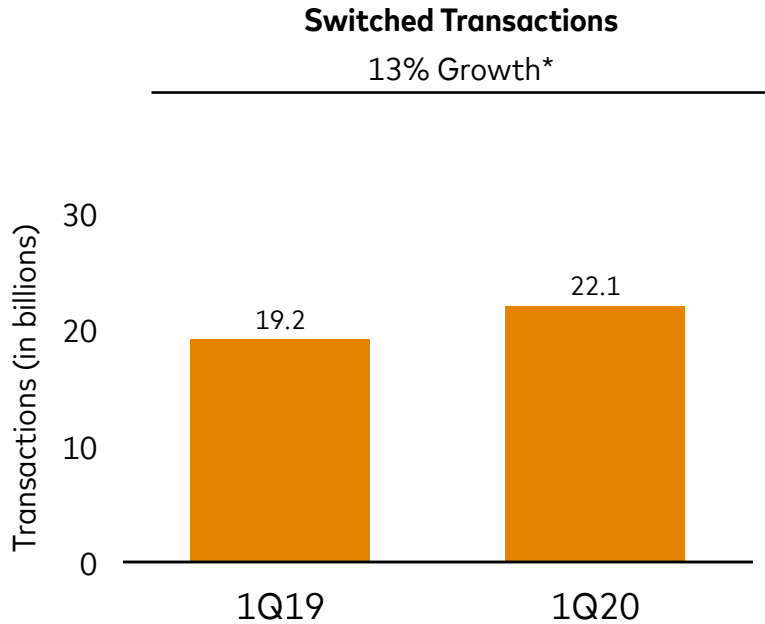


Notes: 1. Growth rates are shown in local currency.

2. Figures may not sum due to rounding.



# 1st Quarter Switched Transactions and Cards



■ Mastercard Cards ■ Maestro Cards

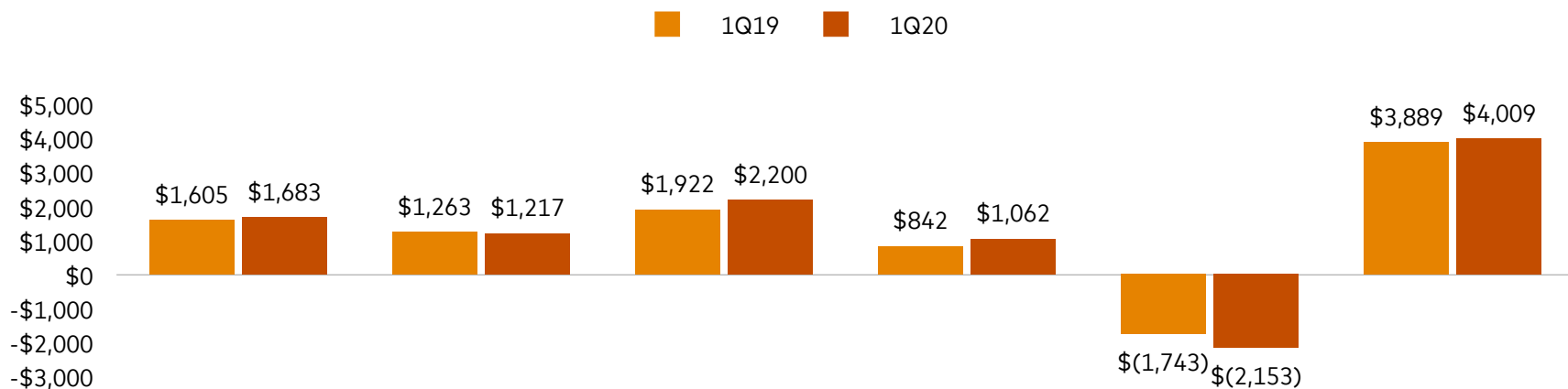
Notes: Figures may not sum due to rounding.

\*Growth rates normalized to eliminate the effects of differing switching and carryover days between periods. Carryover days are those where transactions and volumes from days where the company does not clear and settle are processed.



# 1st Quarter Revenue

(\$ in millions)



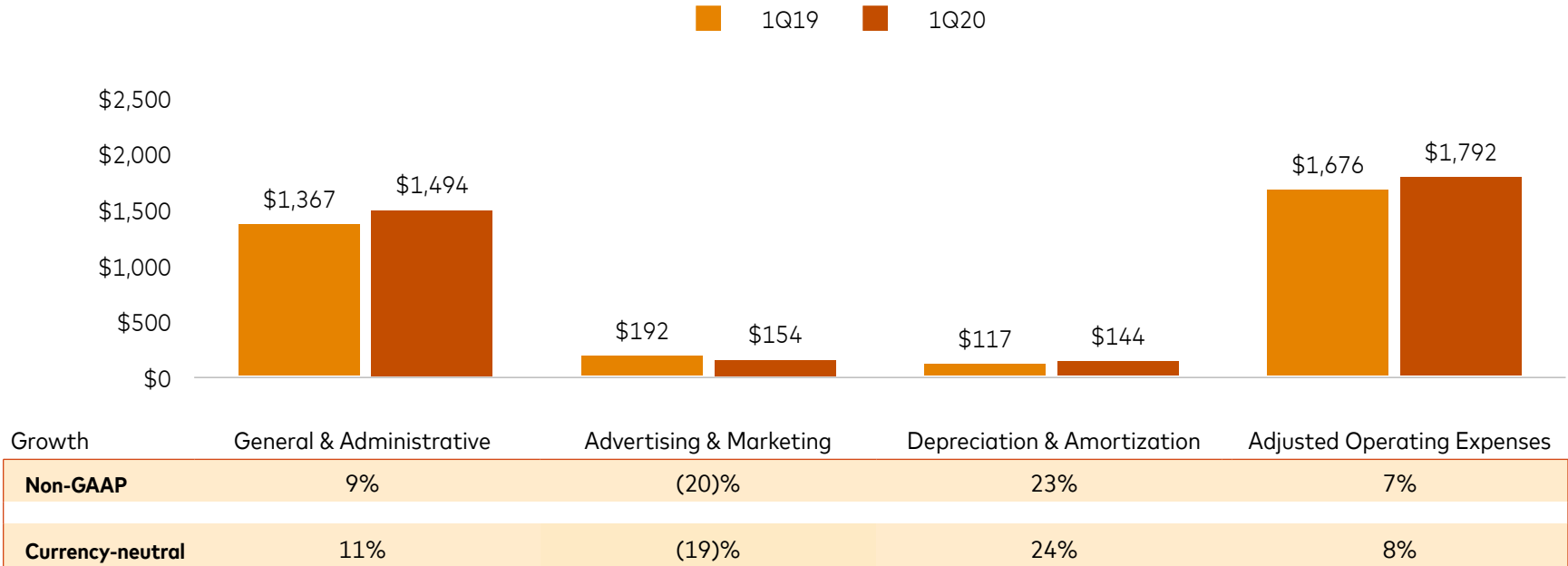
Growth	Domestic Assessments	Cross-Border Volume Fees	Transaction Processing	Other Revenues	Rebates and Incentives	Total Net Revenue
<b>As reported</b>	5%	(4)%	14%	26%	24%	3%
<b>Currency-neutral</b>	8%	(2)%	16%	28%	26%	5%

Note: Figures may not sum due to rounding.



# 1st Quarter Adjusted Operating Expenses

(\$ in millions)



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



# Capital Planning Update

## PRIORITIES UNCHANGED



### Strong balance sheet

**Preserve** strong balance sheet, liquidity and credit ratings



### Long-term business growth

**Invest** in a strategy-led organic and inorganic opportunities



### Return excess capital to shareholders

**Return** excess capital with bias toward share repurchases



### Capital structure

**Migrate** to a more normalized mix of debt and equity over time

## RECENT HIGHLIGHTS

- Strong operating cash flow despite COVID-19
  - Substantial liquidity at quarter-end
    - \$10.7B cash and investments balance
    - \$6B credit facility<sup>1</sup>
  - Significant additional debt capacity within existing credit ratings: Moody's A1; S&P A+
- 
- Strong balance sheet positions us well to continue to invest in long-term growth through organic and inorganic options
- 
- Temporarily suspended share repurchase program
  - Dividend unchanged
- 
- Issued \$4B in long-term debt in March 2020<sup>1</sup>



1. No financial covenants on existing debt or credit facility



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

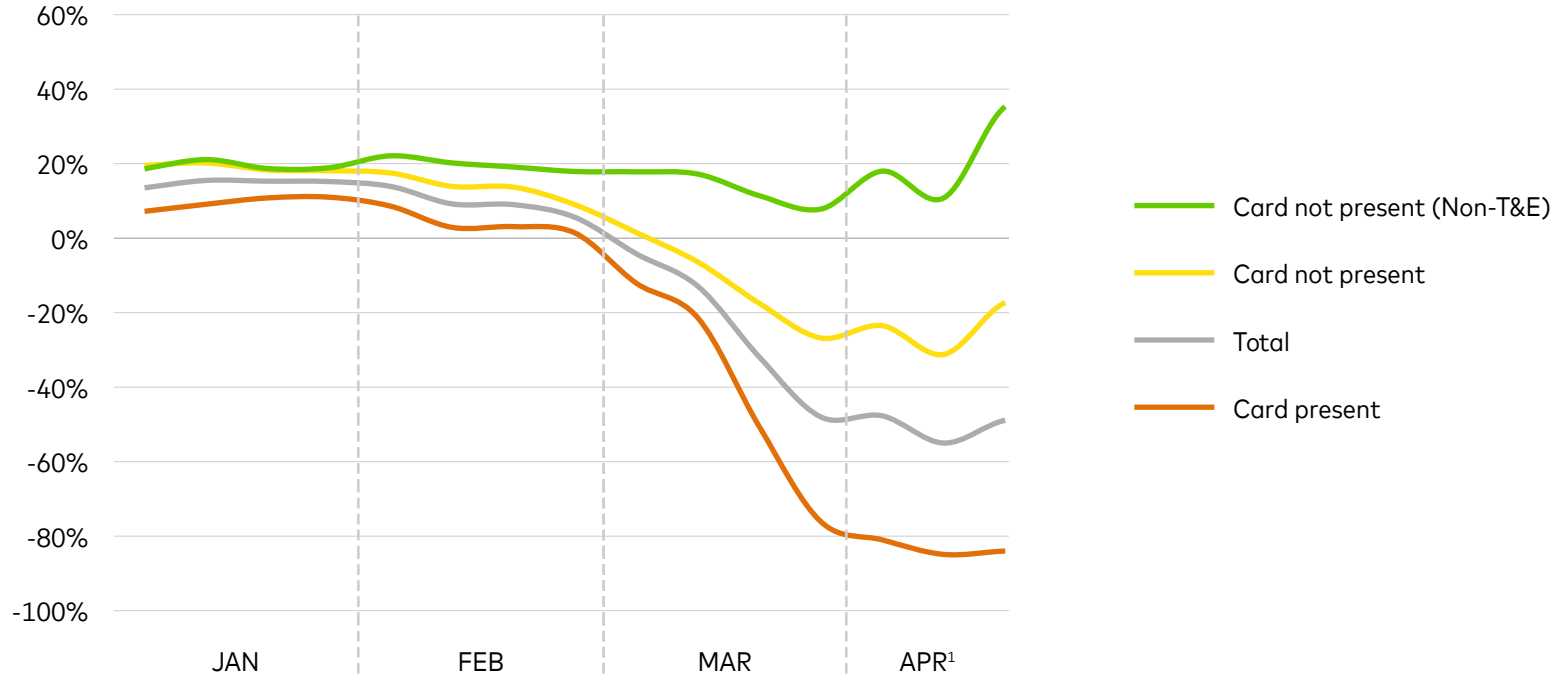
year-over-year growth %

	Q1 2020	March 2020			April 2020		
		First two weeks	Week ending March 21	Week ending March 28	Week ending April 7	Week ending April 14	Week ending April 21
<b>Switched volume<sup>1</sup></b>	8%	8%	(5)%	(25)%	(25)%	(30)%	(20)%
United States	4%	5%	(6)%	(26)%	(22)%	(26)%	(15)%
Worldwide less U.S.	11%	11%	(3)%	(24)%	(28)%	(33)%	(25)%
<b>Switched transactions<sup>2</sup></b>	13%	18%	2%	(20)%	(24)%	(24)%	(20)%
<b>Cross-border volume<sup>1</sup></b>	(1)%	(8)%	(32)%	(48)%	(48)%	(55)%	(49)%



1. Mastercard-branded program only  
2. Total number of transactions switched by Mastercard

# Cross-border Volume Trends



1. Through April 21<sup>st</sup> MTD

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

April 29, 2020



# Looking Ahead

———— Further thoughts



# Appendices



# Appendix A

## Non-GAAP Reconciliation

(\$ in millions, except per share data)

### Three Months Ended March 31, 2020

	Operating expenses	Operating income	Operating margin	Other Income (Expense)	Effective income tax rate	Net income	Diluted earnings per share
	(\$ in millions, except per share data)						
Reported - GAAP	\$ 1,798	\$ 2,211	55.2%	\$ (224)	14.8%	\$ 1,693	\$ 1.68
(Gains) losses on equity investments <sup>1</sup>	**	**	**	174	0.1%	146	\$ 0.14
Litigation provisions <sup>2</sup>	(6)	6	0.2%	**	—%	5	\$ —
Non-GAAP	<u>\$ 1,792</u>	<u>\$ 2,218</u>	<u>55.3%</u>	<u>\$ (50)</u>	<u>14.9%</u>	<u>\$ 1,844</u>	<u>\$ 1.83</u>

### Three Months Ended March 31, 2019

	Operating expenses	Operating income	Operating margin	Other Income (Expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 1,676	\$ 2,213	56.9%	\$ (10)	15.5%	\$ 1,862	\$ 1.80
(Gains) losses on equity investments <sup>1</sup>	**	**	**	(5)	—%	(5)	\$ —
Tax act <sup>3</sup>	**	**	**	**	1.3%	(30)	\$ (0.03)
Non-GAAP	<u>\$ 1,676</u>	<u>\$ 2,213</u>	<u>56.9%</u>	<u>\$ (15)</u>	<u>16.8%</u>	<u>\$ 1,828</u>	<u>\$ 1.78</u>

Note: Figures may not sum due to rounding.

\*\* Not applicable

<sup>1</sup> Q1'20 and Q1'19, net losses of \$174 million and net gains of \$5 million, respectively, were primarily related to unrealized fair market value adjustments on marketable and non-marketable equity securities.

<sup>2</sup> Q1'20 pre-tax charges of \$6 million related to litigation settlements with U.K. merchants.

<sup>3</sup> Q1'19 net tax benefit of \$30 million related to a reduction to the 2017 one-time deemed repatriation tax on accumulated foreign earnings resulting from final transition tax regulations issued in 2019.



# Appendix A (continued)

## Non-GAAP Reconciliation

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

	Increase/(Decrease)						
	Net revenue	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	3%	7%	— %	(1.8) ppt	(0.7) ppt	(9)%	(7)%
(Gains) losses on equity investments <sup>1</sup>	**	**	**	**	0.1 ppt	8 %	8 %
Litigation provisions <sup>2</sup>	**	—%	— %	0.2 ppt	— ppt	— %	— %
Tax act <sup>3</sup>	**	**	**	**	(1.3) ppt	2 %	1 %
Non-GAAP	3%	7%	— %	(1.6) ppt	(1.9) ppt	1 %	3 %
Currency impact <sup>4</sup>	2%	1%	2 %	0.3 ppt	0.1 ppt	2 %	3 %
Non-GAAP - currency-neutral	5%	8%	2 %	(1.4) ppt	(1.8) ppt	3 %	6 %

Note: Figures may not sum due to rounding.

\*\* Not applicable

<sup>1</sup> Q1'20 and Q1'19, net losses of \$174 million and net gains of \$5 million, respectively, were primarily related to unrealized fair market value adjustments on marketable and non-marketable equity securities.

<sup>2</sup> Q1'20 pre-tax charges of \$6 million related to litigation settlements with U.K. merchants.

<sup>3</sup> Q1'19 net tax benefit of \$30 million related to a reduction to the 2017 one-time deemed repatriation tax on accumulated foreign earnings resulting from final transition tax regulations issued in 2019.

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



# Appendix B

## Non-GAAP Reconciliation

### Second quarter 2020 operating expenses outlook

	<b>Q2'20 vs. Q2'19 Increase/(Decrease)</b>
<b>Forecasted Growth - GAAP <sup>1</sup></b>	Low-single-digits
<b>Litigation provisions</b>	**
<b>Non-GAAP Growth</b>	Low-single-digits
<b>Currency impact <sup>2</sup></b>	~1%
<b>Acquisitions <sup>3</sup></b>	(6-8)%
<b>Non-GAAP Growth, currency neutral, excluding acquisitions</b>	(Low-single-digits)

\*\* Not applicable.

<sup>1</sup> GAAP - Q2'20 Forecast versus Q2'19 reported results

<sup>2</sup> Impact of currency calculated by remeasuring the future period's results using the current period's exchange rates for both the translational and transactional impacts on operating results.

<sup>3</sup> Acquisitions closed after the beginning of 2019.

