

# Mastercard Incorporated

Third-Quarter 2018 Financial Results Conference Call

October 30, 2018



# Business Update

————— Financial & Operational Overview

————— Economic Update

————— Business Highlights

# 3rd Quarter Selected Financial Performance

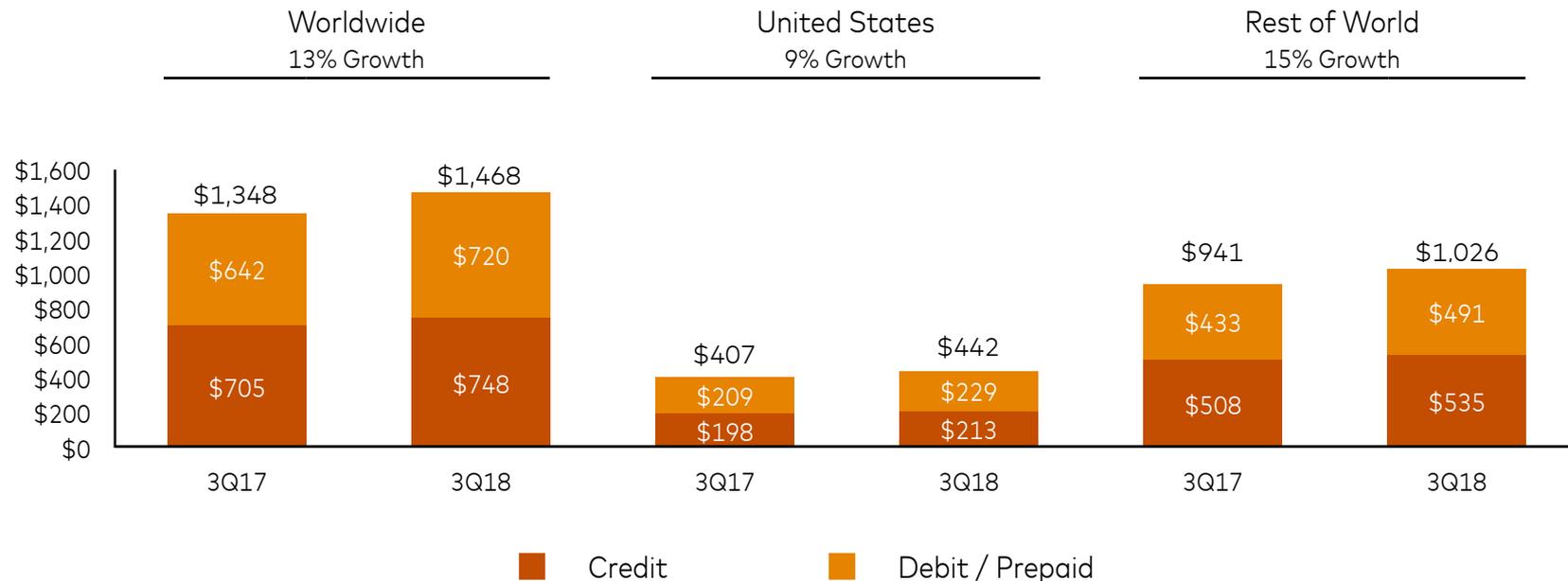
(\$ in millions, except per share data)

	3Q 18		YOY Growth	
	Non-GAAP <sup>1</sup>	3Q 17	Non-GAAP	Currency Neutral
Net revenue	\$ 3,898	\$ 3,398	15%	17%
Total operating expenses	1,582	1,457	9%	10%
Operating income	2,316	1,941	19%	22%
<i>Operating margin</i>	59.4%	57.1%	2.3 <i>ppt</i>	2.6 <i>ppt</i>
Net income	\$ 1,856	\$ 1,430	30%	33%
Diluted EPS	\$ 1.78	\$ 1.34	33%	36%
Effective tax rate	19.1%	26.0%		

<sup>1</sup> Excludes special items relating to litigation provisions and the adjusted tax effects of previously-recorded special items. See Appendix A for Non-GAAP reconciliation.

# 3rd Quarter Gross Dollar Volume (GDV)

(\$ in billions)



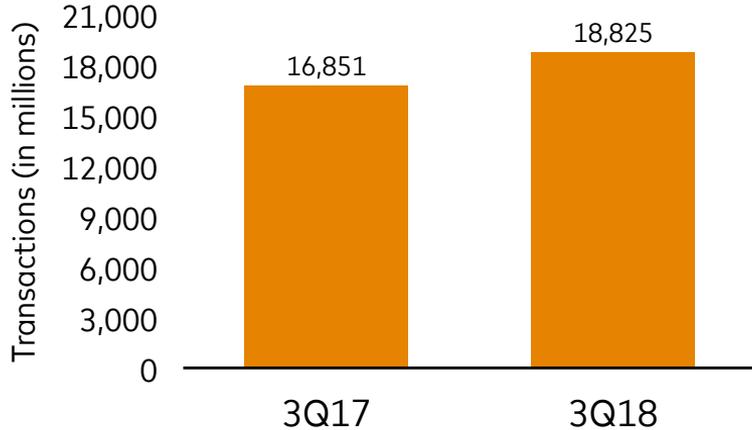
Notes: 1. Growth rates are shown in local currency.  
2. Figures may not sum due to rounding.

# 3rd Quarter Switched Transactions and Cards

## Switched Transactions

12% Growth

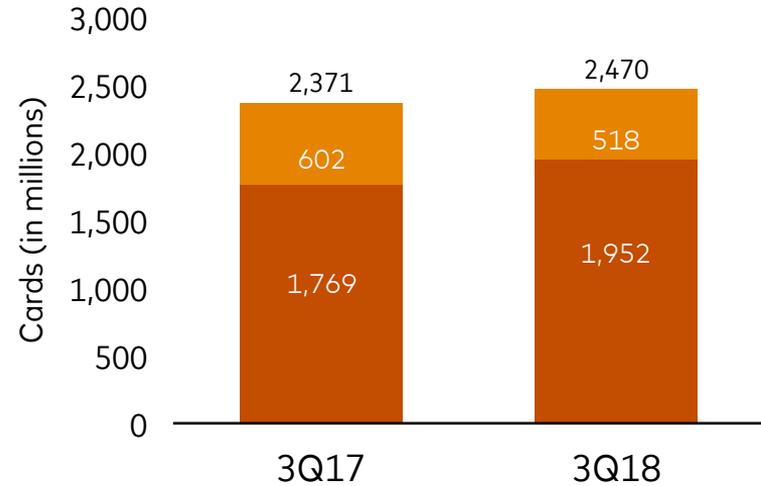
16% Adjusted Growth\*



## Cards

4% Growth

6% Adjusted Growth\*



\*Adjusted for the impact of Venezuelan deconsolidation in both the current and prior periods.

Note: Figures may not sum due to rounding.

■ Mastercard Cards ■ Maestro Cards

# 3rd Quarter Revenue

(\$ in millions)

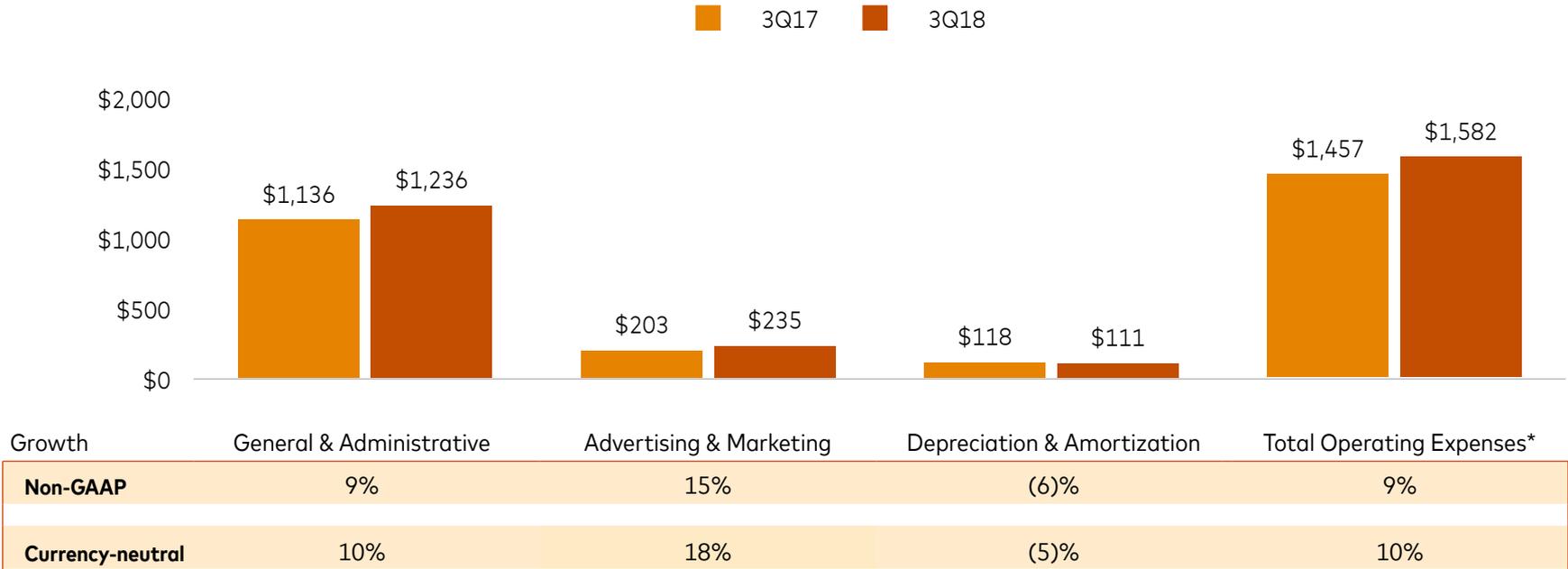


Growth	Domestic Assessments	Cross-Border Volume Fees	Transaction Processing Fees	Other Revenues	Rebates and Incentives	Total Net Revenue
<b>As reported</b>	20%	16%	15%	10%	18%	15%
<b>Currency-neutral</b>	24%	18%	17%	11%	21%	17%

Note: Figures may not sum due to rounding.

# 3rd Quarter Operating Expenses

(\$ in millions)



Note: Figures may not sum due to rounding.

\*Excludes special items relating to litigation provisions. See Appendix A for Non-GAAP reconciliation.

# Looking Ahead

———— Business update through October 21st

———— Thoughts for 2018

# Appendices

# Appendix A

## Non-GAAP Reconciliation

### Three Months Ended September 30, 2018

	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
	(\$ in millions, except per share data)					
Reported - GAAP	\$ 1,611	\$ 2,287	58.7 %	16.1 %	\$ 1,899	\$ 1.82
Special Items - litigation provisions <sup>1</sup>	(29)	29	0.8 %	0.1 %	22	0.02
Special Items - discrete tax items <sup>2</sup>	—	—	— %	2.9 %	(65)	(0.06)
Non-GAAP	\$ 1,582	\$ 2,316	59.4 %	19.1 %	\$ 1,856	\$ 1.78

### Three Months Ended September 30, 2018 as compared to the Three Months Ended September 30, 2017

#### Increase/(Decrease)

	Net revenue	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	15%	11 %	18%	1.5 ppt	(9.9) ppt	33 %	36 %
Special Items - litigation provisions <sup>1</sup>	—%	(2)%	2%	0.8 ppt	0.1 ppt	2 %	2 %
Special Items - discrete tax items <sup>2</sup>	—%	— %	—%	- ppt	2.9 ppt	(5)%	(5)%
Non-GAAP	15%	9 %	19%	2.3 ppt	(6.9) ppt	30 %	33 %
Foreign currency <sup>3</sup>	2%	1 %	3%	0.3 ppt	0.1 ppt	3 %	3 %
Non-GAAP - currency-neutral	17%	10 %	22%	2.6 ppt	(6.8) ppt	33 %	36 %

Note: Figures may not sum due to rounding.

<sup>1</sup> Impact of the following provisions for litigation in Q3'18: \$23 million (\$17 million after tax, or \$0.02 per diluted share) related to litigation settlements with U.K. merchants and \$6 million (\$5 million after tax, and a de minimis impact to diluted shares) related to litigation settlements with Pan-European merchants.

<sup>2</sup> Impact of the following tax benefits in Q3'18: \$65 million (\$0.06 per diluted share) related primarily to provisions for legal matters in the United States.

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

# Appendix B

## Non-GAAP Growth Drivers

Three Months Ended September 30, 2018 as compared to the Three Months Ended September 30, 2017

Increase/(Decrease)

### Non-GAAP - currency-neutral <sup>1</sup>

Acquisition impact <sup>2</sup>

Impact of new revenue recognition rules in 2018

### Organic Growth

(Based on prior revenue recognition rules and excluding acquisitions)

	Net revenue	Operating income
	17 %	22 %
	— %	— %
	(3)%	(4)%
	14 %	19 %

Note: Figures may not sum due to rounding.

<sup>1</sup> See Appendix A for reconciliation from Reported - GAAP results to Non-GAAP - currency-neutral results.

<sup>2</sup> Acquisitions made in 2017.

# Appendix C

## Non-GAAP Reconciliation

### 2018 full-year financial outlook

#### Forecasted Growth - U.S. GAAP <sup>1</sup>

Special items <sup>2</sup>

Foreign currency <sup>3</sup>

#### Non-GAAP Growth

2018 vs. 2017	
Increase/(Decrease)	
Net revenue	Operating expenses
High-teens	High-teens
**	(3)%
0%	0%
High-teens	Mid-teens

Note: Figures may not sum due to rounding.

\*\* Not applicable

<sup>1</sup>U.S. GAAP - 2018 forecast versus 2017 reported results.

<sup>2</sup>Impact of the 2018 provisions for litigation (\$371M pre-tax) and impact of the Venezuela Charge in Q4'17 (\$167M pre-tax) and a provision for litigation in Q1'17 (\$15M pre-tax).

<sup>3</sup>Impact of foreign currency for both the translational and transactional impacts.