

Mastercard Incorporated

Fourth-Quarter and Full Year 2018 Financial Results Conference Call

January 31, 2019



Business Update

————— Financial Overview

————— Economic Update

————— Business Highlights

4th Quarter Selected Financial Performance

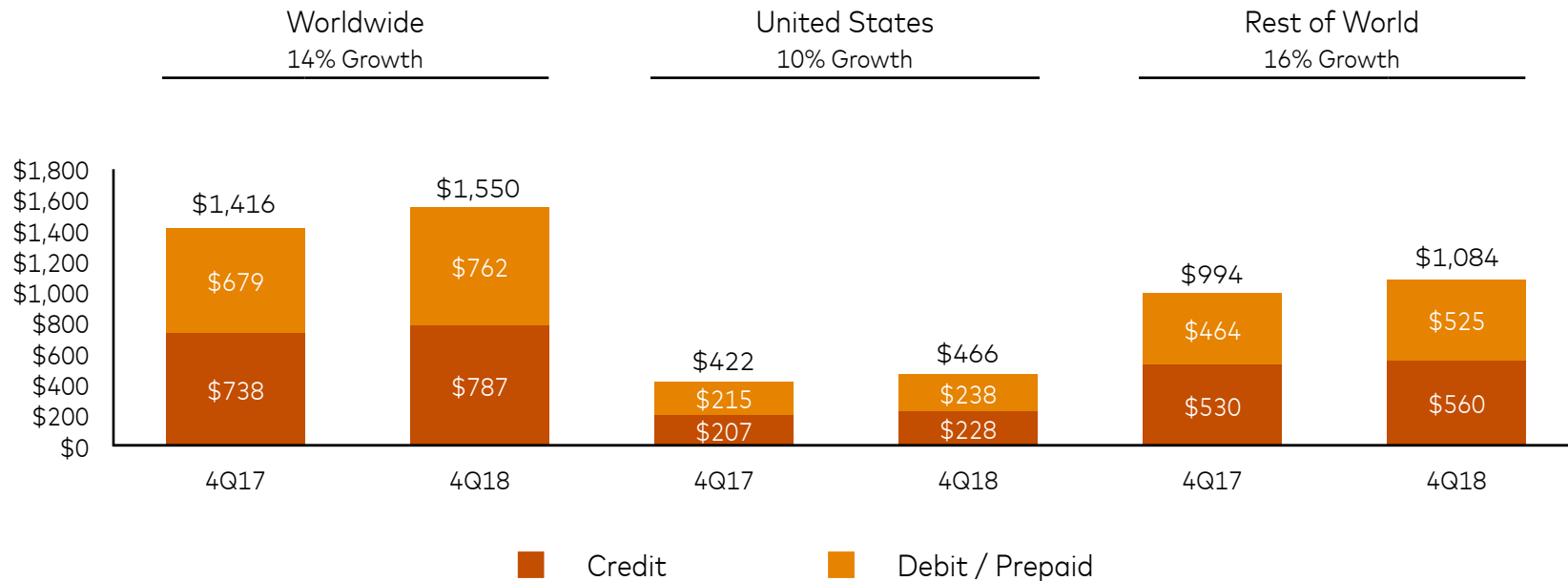
(\$ in millions, except per share data)

			YOY Growth	
	4Q 18 Non-GAAP ¹	4Q 17 Non-GAAP ¹	Non-GAAP	Currency Neutral
Net revenue	\$ 3,807	\$ 3,312	15%	17%
Total operating expenses	1,816	1,623	12%	14%
Operating income	1,991	1,689	18%	21%
<i>Operating margin</i>	52.3%	51.0%	1.3 <i>ppt</i>	1.4 <i>ppt</i>
Net income	\$ 1,611	\$ 1,208	33%	36%
Diluted EPS	\$ 1.55	\$ 1.14	36%	40%
Effective tax rate	18.3%	26.8%		

¹ Excludes the impact of Special Items. See Appendix A for Non-GAAP reconciliation.

4th Quarter Gross Dollar Volume (GDV)

(\$ in billions)



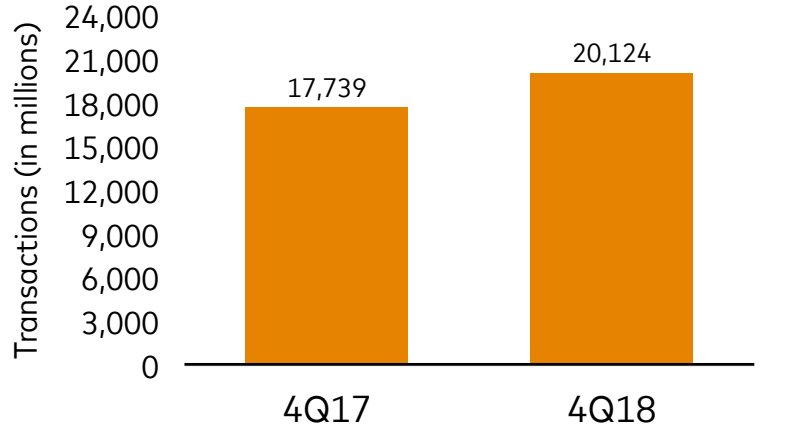
Notes: 1. Growth rates are shown in local currency.
2. Figures may not sum due to rounding.

4th Quarter Switched Transactions and Cards

Switched Transactions

13% Growth

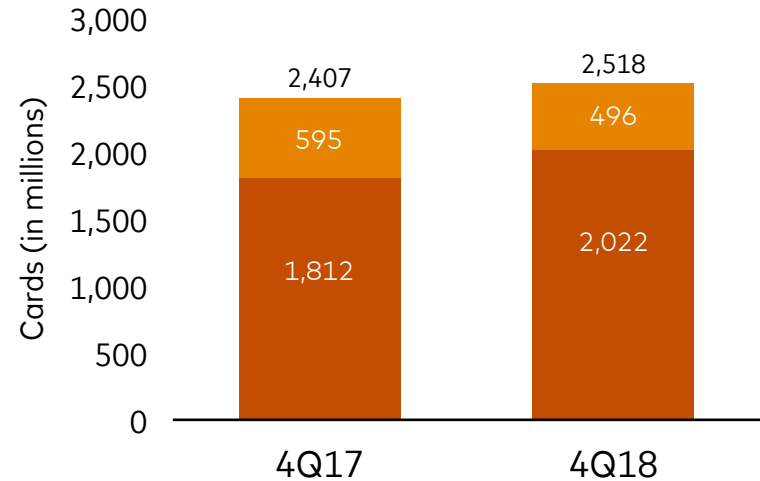
17% Adjusted Growth*



Cards

5% Growth

7% Adjusted Growth*



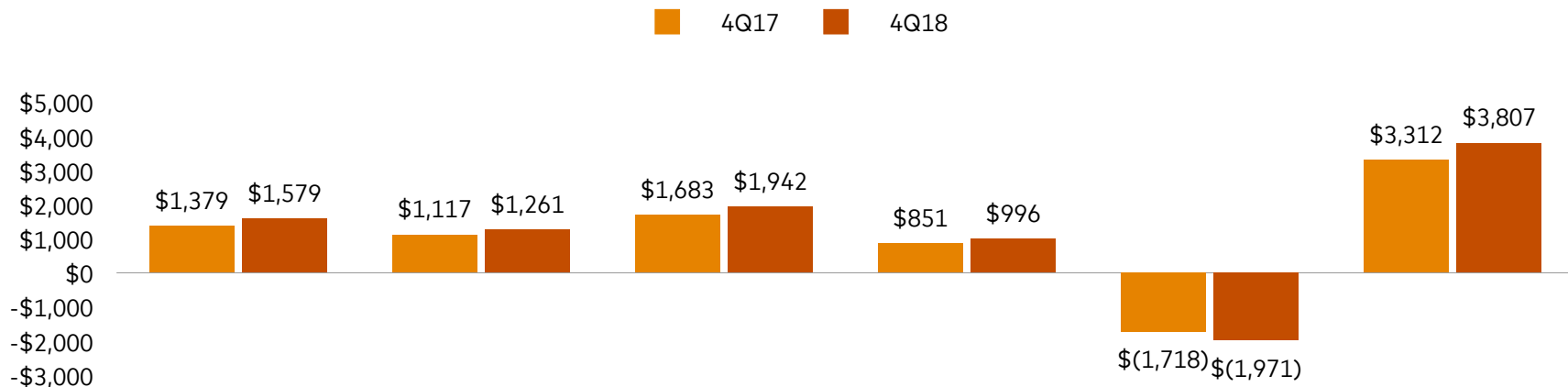
■ Mastercard Cards ■ Maestro Cards

Note: Figures may not sum due to rounding.

*Adjusted for the impact of Venezuelan deconsolidation and to eliminate the impact of differing switching days between periods.

4th Quarter Revenue

(\$ in millions)

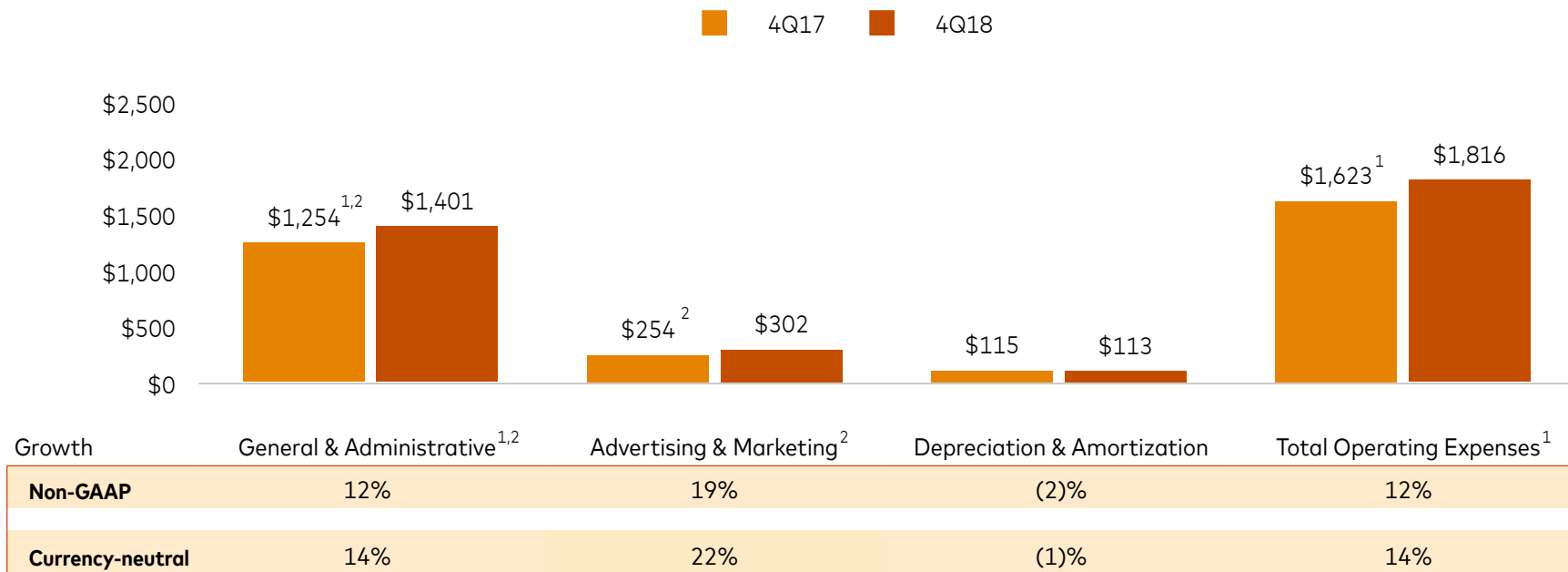


Growth	Domestic Assessments	Cross-Border Volume Fees	Transaction Processing Fees	Other Revenues	Rebates and Incentives	Total Net Revenue
As reported	15%	13%	15%	17%	15%	15%
Currency-neutral	18%	16%	17%	19%	18%	17%

Note: Figures may not sum due to rounding.

4th Quarter Operating Expenses

(\$ in millions)



Note: Figures may not sum due to rounding.

¹Excludes the impact of Special Items. See Appendix A for Non-GAAP reconciliation.

²2017 amounts include the impact of reclassifying \$56M of expenses from Advertising & Marketing to General & Administrative to conform to current period presentation. See Appendix G.

Looking Ahead

———— Business update through January 28th

———— Long-Term Performance Objectives

———— Thoughts for 2019

2016-2018 Performance

Currency-neutral basis, excluding acquisitions and Special Items

	Actuals	Prior Estimate as of February 1, 2018 ¹
Net Revenue CAGR	15%	Low-teens (13 - 14%)
Annual Operating Margin %	Minimum 50%	Minimum 50%
EPS CAGR % ²	28%	Mid 20's

¹ Revised for new revenue recognition rules and U.S. Tax Reform.

² Based on 2015 pro forma EPS of \$3.12. See Appendix C for Non-GAAP reconciliation.

2019-2021 Performance Objectives

Currency-neutral basis, excluding future acquisitions and Special Items

Net Revenue CAGR

Low-teens

Annual Operating Margin %

Minimum 50%

EPS CAGR % ¹

High-teens

¹ Based on 2018 pro forma EPS of \$6.49. See Appendix D for Non-GAAP reconciliation.

Thoughts for 2019

Currency-neutral basis, excluding future acquisitions and Special Items

2019 Forecasted Growth ¹

Net Revenue	Low-teens
Operating Expense	High end of high-single digits
Effective Tax Rate	19-20%

¹ See Appendix E for Non-GAAP reconciliation.

Appendices

Appendix A

Non-GAAP Reconciliation

(\$ in millions, except per share data)

Three Months Ended December 31, 2018

	General & Administrative	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
(\$ in millions, except per share data)							
Reported - GAAP	\$ 1,401	\$ 2,573	\$ 1,234	32.4 %	26.0 %	\$ 899	\$ 0.87
Litigation provisions ¹	**	(757)	757	19.9 %	(10.8)%	772	0.74
Tax act ²	**	**	**	**	3.0 %	(59)	(0.06)
Non-GAAP	<u>\$ 1,401</u>	<u>\$ 1,816</u>	<u>\$ 1,991</u>	<u>52.3 %</u>	<u>18.3 %</u>	<u>\$ 1,611</u>	<u>\$ 1.55</u>

Three Months Ended December 31, 2017

	General & Administrative	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
(\$ in millions, except per share data)							
Reported - GAAP	\$ 1,421	\$ 1,790	\$ 1,522	46.0 %	84.7 %	\$ 227	\$ 0.21
Tax act ³	**	**	**	**	(58.8)%	873	0.82
Venezuela charge ⁴	(167)	(167)	167	5.0 %	0.9 %	108	0.10
Non-GAAP	<u>\$ 1,254</u>	<u>\$ 1,623</u>	<u>\$ 1,689</u>	<u>51.0 %</u>	<u>26.8 %</u>	<u>\$ 1,208</u>	<u>\$ 1.14</u>

Note: Figures may not sum due to rounding.

** Not applicable

¹ Pre-tax charges of \$757 million related to a \$654 million fine by the European Commission and \$103 million of settlements with U.K. and Pan-European merchants.

² Net tax benefit of \$59 million comprised of a \$90 million benefit related to the carryback of foreign tax credits due to transition rules, offset by a net \$31 million expense primarily related to the true-up of the 2017 mandatory deemed repatriation tax on accumulated foreign earnings (the "Transition Tax").

³ Net tax expense of \$873 million related to the Transition Tax, the remeasurement of a net deferred tax asset in the U.S. and the recognition of a deferred tax liability related to a change in assertion regarding reinvestment of foreign earnings, as well as additional tax expense related to a foregone foreign tax credit benefit on 2017 repatriations.

⁴ Pre-tax charge of \$167 million related to the deconsolidation of the company's Venezuelan subsidiaries in 2017.

Appendix A

Non-GAAP Reconciliation

Three Months Ended December 31, 2018 as compared to the Three Months Ended December 31, 2017

	Increase/(Decrease)						
	Net revenue	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	15%	44 %	(19)%	(13.5) ppt	(58.7) ppt	296 %	314 %
Litigation provisions ¹	—%	(42)%	50 %	19.9 ppt	(10.8) ppt	340 %	354 %
Tax act ²	—%	— %	— %	— ppt	61.8 ppt	(589)%	(618)%
Venezuela charge ³	—%	10 %	(13)%	(5.0) ppt	(0.9) ppt	(13)%	(14)%
Non-GAAP	15%	12 %	18 %	1.3 ppt	(8.5) ppt	33 %	36 %
Foreign currency ⁴	2%	2 %	3 %	0.1 ppt	0.1 ppt	3 %	3 %
Non-GAAP - currency-neutral	17%	14 %	21 %	1.4 ppt	(8.4) ppt	36 %	40 %

Note: Figures may not sum due to rounding.

¹ Q4 '18 pre-tax charge of \$757 million related to a \$654 million fine by the European Commission and \$103 million of settlements with U.K. and Pan- European merchants.

² Q4 '18 net tax benefit of \$59 million comprised of a \$90 million benefit related to the carryback of foreign tax credits due to transition rules, offset by a net \$31 million expense primarily related to the true-up of the 2017 Transition Tax. Q4 '17 net tax expense of \$873 million related to the Transition Tax, the remeasurement of a net deferred tax asset in the U.S. and the recognition of a deferred tax liability related to a change in assertion regarding reinvestment of foreign earnings, as well as additional tax expense related to a foregone foreign tax credit benefit on 2017 repatriations.

³ Q4 '17 pre-tax charge of \$167 million related to the deconsolidation of the company's Venezuelan subsidiaries in 2017

⁴ Represents the foreign currency translational and transactional impact.

Appendix B

Non-GAAP Growth Drivers

Twelve Months Ended December 31, 2018 as compared to the Twelve Months Ended December 31, 2017

	Increase/(Decrease)		
Reported - GAAP	Net revenue	Operating income	EPS
Litigation provisions ¹	20 %	10 %	53 %
Tax act ²	**	17 %	26 %
Venezuela charge ³	**	**	(34)%
Foreign currency ⁴	**	(3)%	(3)%
	— %	— %	— %
Non-GAAP - currency-neutral	20 %	23 %	41 %
Acquisition impact ⁵	— %	— %	
Impact of new revenue recognition rules in 2018	(4)%	(4)%	
Mastercard Impact Fund ⁶	**	1 %	
Organic Growth	15 %	21 %	

Note: Figures may not sum due to rounding.

¹ FY 2018 pre-tax charges of \$1,128 million (\$1,008 million after tax, or \$0.96 per diluted share) related to a \$654 million fine by the European Commission, \$237 million related to both the U.S. merchant class litigation and the filed and anticipated opt-out U.S. merchant cases and \$237 million of settlements with U.K. and Pan-European merchants. FY 2017 pre-tax charges of \$15 million (\$10 million after tax, or \$0.01 per diluted share) related to settlement with Canadian merchants.

² FY 2018 net tax benefit of \$75 million (\$0.07 per diluted share) comprised of a \$90 million benefit related to the carryback of foreign tax credits due to transition rules, offset by a net \$15 million expense primarily related to the true-up to the 2017 Transition Tax. FY 2017 net tax expense of \$873 million (\$0.81 per diluted share) related to the Transition Tax, the remeasurement of a net deferred tax asset in the U.S. and the recognition of a deferred tax liability related to a change in assertion regarding reinvestment of foreign earnings, as well as additional tax expense related to a foregone foreign tax credit benefit on 2017 repatriations.

³ FY 2017 pre-tax charge of \$167 million (\$108 million after tax, or \$0.10 per diluted share) related to the deconsolidation of the company's Venezuelan subsidiaries in 2017.

⁴ Represents the foreign currency translational and transactional impact.

⁵ Acquisitions made in 2017.

⁶ Contribution to a non-profit entity.

Appendix C

2016-2018 Performance

Non-GAAP CAGR Reconciliation
(\$ in millions, except per share data)

	Base Year 2015	2018	3-Year CAGR
Net Revenue	\$9,667	\$14,950	15.6%
Acquisitions ¹	**	(307)	(0.8)
Foreign currency ²	**	72	0.2
Net Revenue Non-GAAP	\$9,667	\$14,715	15.0%

	Base Year 2015	2018	3-Year CAGR
Diluted Earnings Per Share GAAP	\$3.35	\$5.60	18.7%
Litigation provisions ³	0.04	0.96	5.9
Tax act ⁴	**	(0.07)	(0.5)
Acquisitions ¹	**	0.08	0.6
Foreign currency ²	**	0.05	0.4
Special Items - pension plan settlement charge ⁵	0.04	**	(0.5)
Tax items ⁶	(0.31)	**	3.9
Diluted Earnings Per Share Non-GAAP	\$3.12	\$6.62	28.5%

Note: Figures may not sum due to rounding.

** Not applicable

¹ Impact of 2017 acquisitions.

² Impact of foreign currency calculated by remeasuring the current period's results using the 2015 exchange rates for both the translational and transactional impacts on operating results.

³ Impact of the provisions for litigation in 2015 (\$44M after tax) and 2018 (\$1,008M after tax).

⁴ Impact of the 2018 tax benefits (\$75M).

⁵ Impact of the 2015 termination of the U.S. employee pension plan.

⁶ Impact of the 2015 discrete tax benefits and the tax impact of non-recurring repatriation benefits.

Appendix D

FY2018 Full-Year Non-GAAP EPS Reconciliation¹

2018 Diluted Earnings Per Share GAAP	\$5.60
Litigation provisions ²	0.96
Tax act ³	(0.07)
2018 Diluted Earnings Per Share Non-GAAP	\$6.49

Note: Figures may not sum due to rounding.

¹ Full-Year EPS utilized to measure 3-year EPS target performance (2019-2021)

² Impact of the 2018 provisions for litigation (\$1,008M after tax)

³ Impact of the 2018 tax benefits (\$75M)

Appendix E

Non-GAAP Reconciliation

2019 full-year financial outlook

	2019 vs. 2018 Increase/(Decrease)	
	Net Revenue	Operating Expenses
Forecasted Growth - U.S. GAAP ¹	High end of low double-digits	(High single-digits)
Special Items - litigation provisions ²	**	16%
Foreign currency ³	2%	1%
Non-GAAP Growth	Low-teens	High end of high single-digits

** Not applicable.

¹ U.S. GAAP - 2019 Forecast versus 2018 reported results

² Impact of the 2018 provisions for litigation (\$1,128M pre-tax)

³ Impact of foreign 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.

Appendix F

4th Quarter G&A Detail

(\$ in millions, except per share data)

	4Q 18	4Q 17 Non-GAAP ¹	Increase/(Decrease)	
			\$	%
Personnel	\$843	\$726	\$117	16%
Professional fees	124	115	9	8%
Data processing and telecommunications	163	138	25	19%
Foreign exchange activity	(7)	13	(20)	**
Other	278	262 ²	16	6%
General and administrative expenses	<u>\$1,401</u>	<u>\$1,254</u>	<u>\$147</u>	<u>12%</u>

Note: Figures may not sum due to rounding

** Not meaningful

¹ Excludes the impact of Venezuela de-consolidation charge (\$167M pre-tax) recorded in Q4'17

² Includes the impact of reclassifying \$56M of expenses from advertising & marketing to general & administrative to conform to current period presentation

Appendix G

A&M Reclassification (U.S. GAAP)

(\$ in millions)

	2018			2017				
	Q1	Q2	Q3	Q1	Q2	Q3	Q4	FY
Operating Expenses:								
General and administrative	\$ 1,321	\$ 1,185	\$ 1,268	\$ 967	\$ 1,100	\$ 1,165	\$ 1,421	\$ 4,653
Advertising and marketing	197	204	203	154	189	174	254	771
Litigation settlements	117	225	29	15	—	—	—	15
Depreciation and amortization	120	115	111	92	111	118	115	436
Total operating expenses	\$ 1,755	\$ 1,729	\$ 1,611	\$ 1,228	\$ 1,400	\$ 1,457	\$ 1,790	\$ 5,875
Impact of reclassification from advertising and marketing to general and administrative	\$ 27	\$ 31	\$ 32	\$ 16	\$ 25	\$ 30	\$ 56	\$ 127

Note: Figures may not sum due to rounding

The above represents the effect of the reclassification of certain costs from advertising and marketing to general and administrative in the periods presented to align with current period presentation.

Appendix H

Revenue Growth Drivers

Three Months Ended December 31, 2018						
	Volume	Acquisitions	Revenue standard ¹	Foreign currency ²	Other ³	Total
Domestic assessments	14%	— %	6 %	(4)%	(1)% ⁴	15%
Cross-border volume fees	16%	— %	1 %	(3)%	(1)%	13%
Transaction processing	13%	— %	— %	(2)%	4 %	15%
Other revenues	**	— %	— %	(1)%	19 % ⁵	17%
Rebates and incentives (contra-revenue)	10%	— %	(4)%	(3)%	12 % ⁶	15%
Net revenue	12%	— %	5 %	(2)%	(1)%	15%

Note: Table may not sum due to rounding

** Not applicable

¹Represents the impact from the adoption of the new revenue recognition rules.

² Represents the foreign currency translational and transactional impact versus the prior year.

³ Includes impact from pricing and other non-volume based fees.

⁴ Includes impact of the allocation of revenue to service deliverables, which are recorded in other revenue when services are performed.

⁵ Includes impacts from Advisors fees, safety and security fees, loyalty and reward solution fees and other payment-related products and services.

⁶ Includes the impact from timing of new, renewed and expired agreements.

Appendix I

Operating Expense Growth Drivers (Non-GAAP)

	Three Months Ended December 31, 2018				
	Operational	Acquisitions	Revenue standard ¹	Foreign currency ²	Total
General and administrative	14 %	(1)%	—%	(2)%	12 %
Advertising and marketing	6 %	1 %	15%	(3)%	19 %
Depreciation and amortization	(4)%	3 %	—%	(1)%	(2)%
Total operating expenses	12 %	(1)%	3%	(2)%	12 %

Note: Table may not sum due to rounding

¹Represents the impact from the adoption of the new revenue recognition rules.

² Represents the foreign currency translational and transactional impact versus the prior year.