

Mastercard Incorporated

Third-Quarter 2019 Financial Results Conference Call

October 29, 2019



Business Update

————— Financial Overview

————— Economics Update

————— Business Highlights



3rd Quarter Selected Financial Performance

(\$ in millions, except per share data)

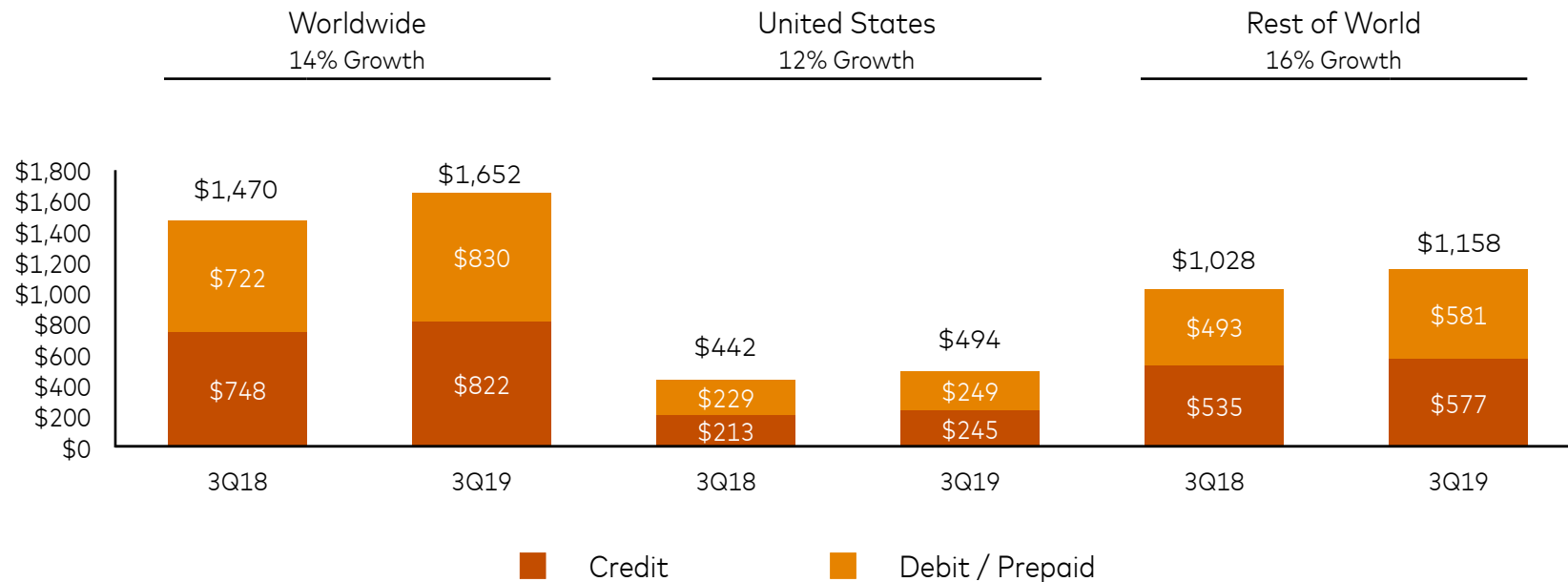
			YOY Growth	
	3Q 19 Non-GAAP	3Q 18 Non-GAAP	As adjusted	Currency Neutral
Net revenue	\$ 4,467	\$ 3,898	15%	16%
Adjusted operating expenses	1,812	1,582	15%	16%
Adjusted operating income	2,655	2,316	15%	17%
<i>Adjusted operating margin</i>	59.4%	59.4%	0.0 ppt	0.1 ppt
Adjusted net income	\$ 2,191	\$ 1,856	18%	20%
Adjusted diluted EPS	\$ 2.15	\$ 1.78	21%	23%
Adjusted effective tax rate	16.8%	19.1%		

Note: See Appendix A for Non-GAAP reconciliation.



3rd Quarter Gross Dollar Volume (GDV)

(\$ in billions)

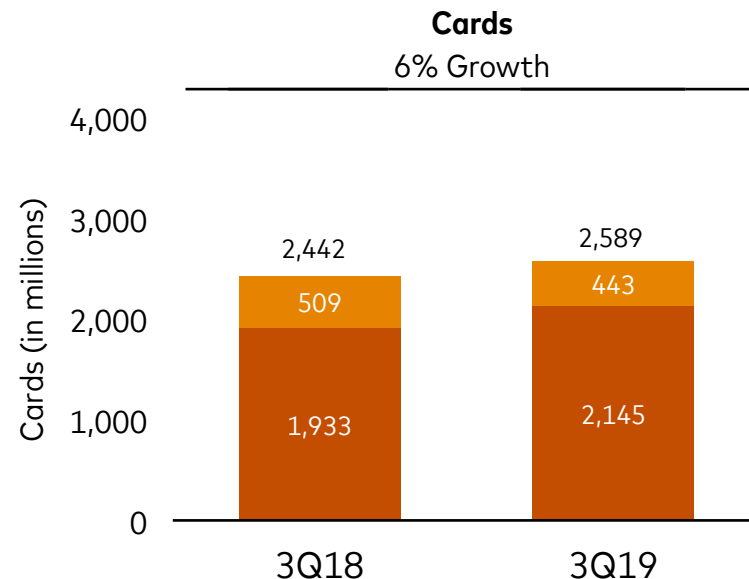
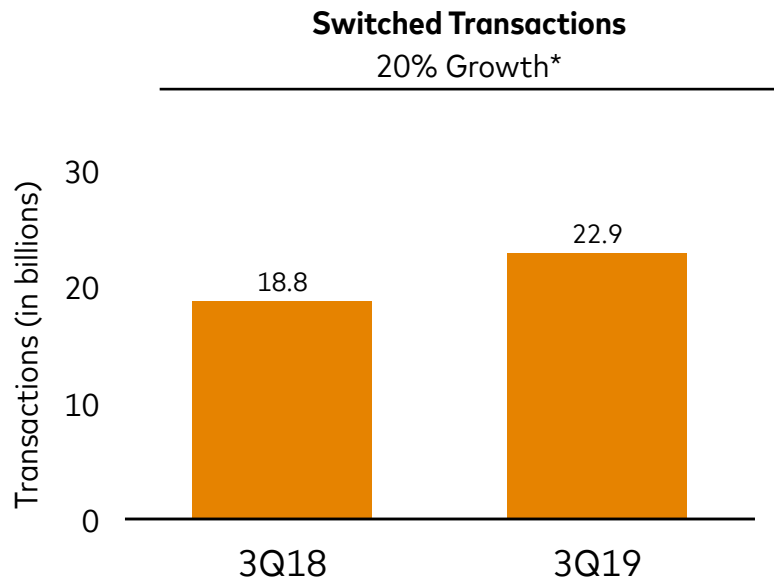


Notes: 1. Growth rates are shown in local currency.

2. Figures may not sum due to rounding.



3rd Quarter Switched Transactions and Cards



■ Mastercard Cards ■ Maestro Cards

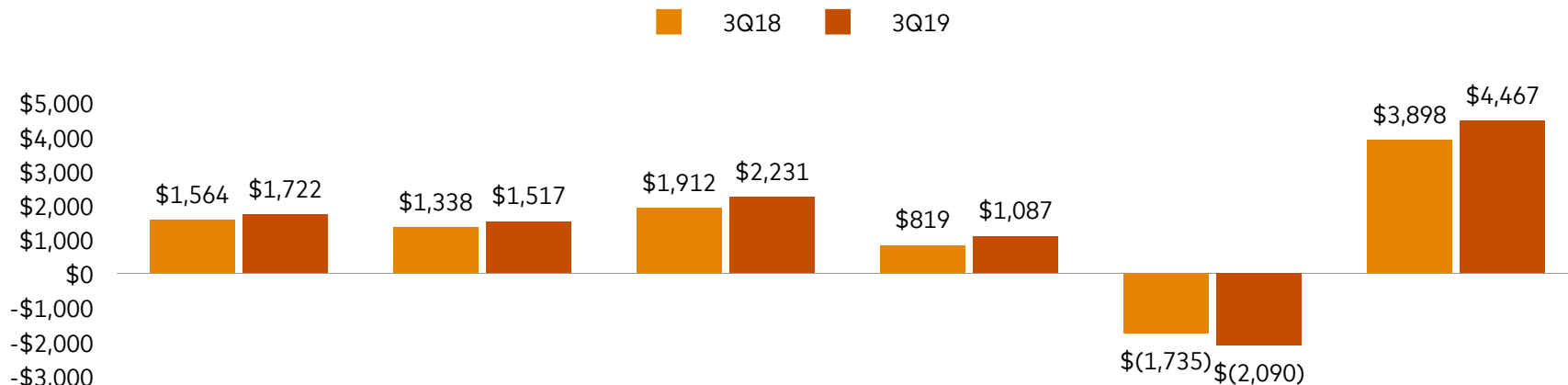
Notes: Figures may not sum due to rounding.

*Growth rates normalized to eliminate the effects of differing switching days between periods, if applicable.



3rd Quarter Revenue

(\$ in millions)



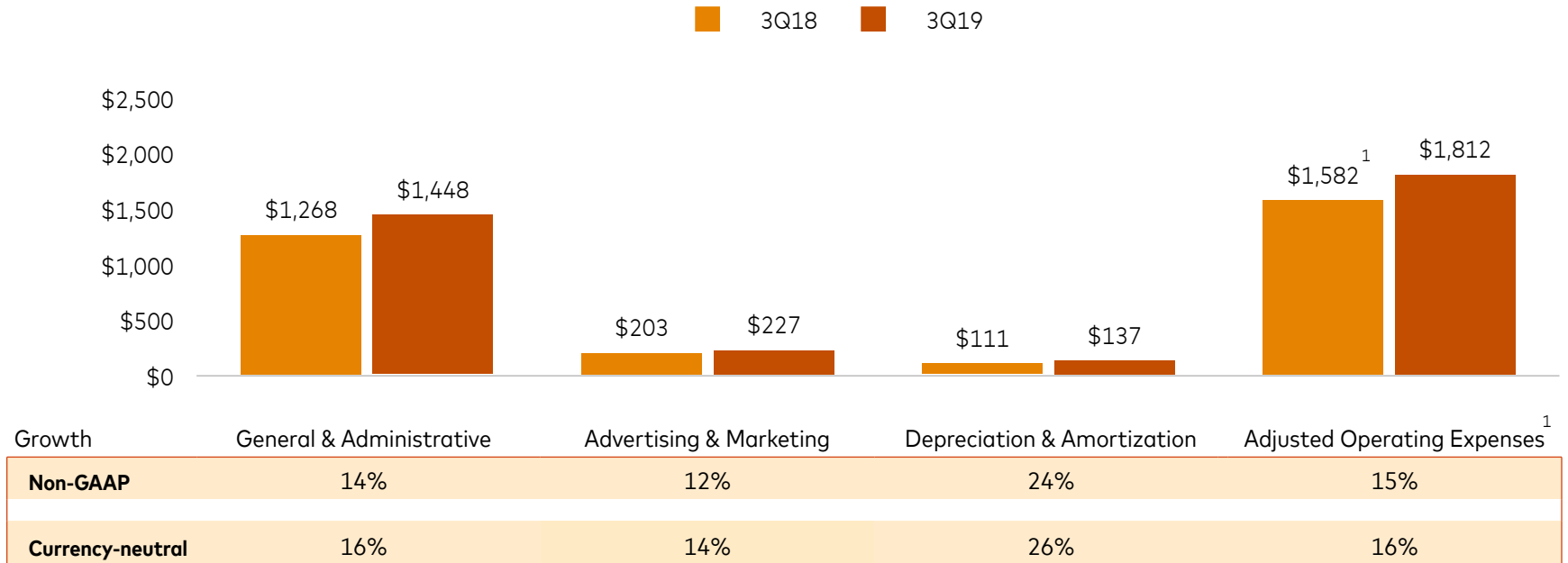
Growth	Domestic Assessments	Cross-Border Volume Fees	Transaction Processing Fees	Other Revenues	Rebates and Incentives	Total Net Revenue
As reported	10%	13%	17%	33%	20%	15%
Currency-neutral	12%	16%	18%	34%	22%	16%

Note: Figures may not sum due to rounding.



3rd Quarter Adjusted Operating Expenses

(\$ in millions)



Note: Figures may not sum due to rounding.

¹See Appendix A for Non-GAAP reconciliation.



Looking Ahead

———— Business update through October 21st

———— Thoughts for 2019



Appendices



Appendix A

Non-GAAP Reconciliation

(\$ in millions, except per share data)

Three Months Ended September 30, 2019

	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	\$ 1,812	\$ 2,655	59.4%	\$ (121)	16.9%	\$ 2,108	\$ 2.07
(Gains) losses on equity investments ¹	**	**	**	100	—%	84	0.08
Non-GAAP	<u>\$ 1,812</u>	<u>\$ 2,655</u>	<u>59.4%</u>	<u>\$ (21)</u>	<u>16.8%</u>	<u>\$ 2,191</u>	<u>\$ 2.15</u>

Three Months Ended September 30, 2018

	Operating expenses	Operating income	Operating margin	Other Income (Expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 1,611	\$ 2,287	58.7%	\$ (23)	16.1%	\$ 1,899	\$ 1.82
Litigation provisions ²	(29)	29	0.8%	**	2.3%	(28)	\$ (0.03)
Tax act ³	**	**	**	**	0.7%	(15)	\$ (0.01)
Non-GAAP	<u>\$ 1,582</u>	<u>\$ 2,316</u>	<u>59.4%</u>	<u>\$ (23)</u>	<u>19.1%</u>	<u>\$ 1,856</u>	<u>\$ 1.78</u>

Note: Figures may not sum due to rounding.

** Not applicable

¹ Q3'19 net losses of \$100 million (\$84 million after tax, or \$0.08 per diluted share), primarily related to unrealized fair market value adjustments on marketable equity investments.

² Q3'18 pre-tax charges of \$29 million (\$22 million after tax, or \$0.02 per diluted share) related to litigation settlements with U.K. and Pan-European merchants. Additionally, a \$50 million (\$0.05 per diluted share) discrete tax benefit related to provisions for legal matters in the United States resulting in a net gain of \$28 million after tax, or \$0.03 per diluted share.

³ Q3'18 discrete tax benefit of \$15 million (\$0.01 per diluted share) related to the remeasurement of the company's net deferred tax assets due to U.S. tax reform.



Appendix A

Non-GAAP Reconciliation

Three Months Ended September 30, 2019 as compared to the Three Months Ended September 30, 2018

	Increase/(Decrease)						
	Net revenue	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	15%	12%	16 %	0.8 ppt	0.7 ppt	11%	14%
(Gains) losses on equity investments ¹	**	**	**	**	— ppt	4%	5%
Litigation provisions ²	**	2%	(1)%	(0.8) ppt	(2.3) ppt	2%	2%
Tax act ³	**	**	**	**	(0.7) ppt	1%	1%
Non-GAAP	15%	15%	15 %	— ppt	(2.3) ppt	18%	21%
Foreign currency ⁴	2%	2%	2 %	0.1 ppt	0.1 ppt	2%	2%
Non-GAAP - currency-neutral	16%	16%	17 %	0.1 ppt	(2.2) ppt	20%	23%

Note: Figures may not sum due to rounding.

¹ For 2019 Mastercard updated its non-GAAP methodology to exclude the impact of gains and losses on the company's equity investments. Q3'19 net losses of \$100 million (\$84 million after tax, or \$0.08 per diluted share), primarily related to unrealized fair market value adjustments on marketable equity investments. Prior year periods were not restated, as the impact of the change was de minimis.

² Q3'18 pre-tax charges of \$29 million (\$22 million after tax, or \$0.02 per diluted share) related to litigation settlements with U.K. and Pan-European merchants. Additionally, a \$50 million (\$0.05 per diluted share) discrete tax benefit related to provisions for legal matters in the United States resulting in a net gain of \$28 million after tax, or \$0.03 per diluted share.

³ Q3'18 discrete tax benefit of \$15 million (\$0.01 per diluted share) related to the remeasurement of the company's net deferred tax asset due to U.S. tax reform.

⁴ Represents the foreign currency translational and transactional impact.



Appendix B

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	(Mid single-digits)
Litigation provisions ²	**	16%
Foreign currency ³	3%	2%
Acquisitions ⁴	0 - (1)%	(3)%
Non-GAAP Growth, excluding acquisitions	High end of 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.

⁴ Acquisitions made in 2019



Appendix C

Non-GAAP Reconciliation

Fourth quarter 2019 financial outlook

	Q4'19 vs. Q4'18 Increase/(Decrease)
	Operating Expenses
Forecasted Growth - U.S. GAAP ¹	(Low 20's)
Litigation provisions ²	33%
Foreign currency ³	1%
Acquisitions ⁴	(6)%
Non-GAAP Growth, excluding acquisitions	High single-digits

** Not applicable.

¹ U.S. GAAP - Q4'19 Forecast versus Q4'18 reported results

² Impact of the Q4'18 provisions for litigation (\$756M 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.

⁴ Acquisitions made in 2019

