

Mastercard Incorporated

Fourth-Quarter and Full-Year 2019 Financial Results Conference Call

January 29, 2020



Business Update

————— Financial Overview

————— Economics Update

————— Business Highlights



4th Quarter Selected Financial Performance

(\$ in millions, except per share data)

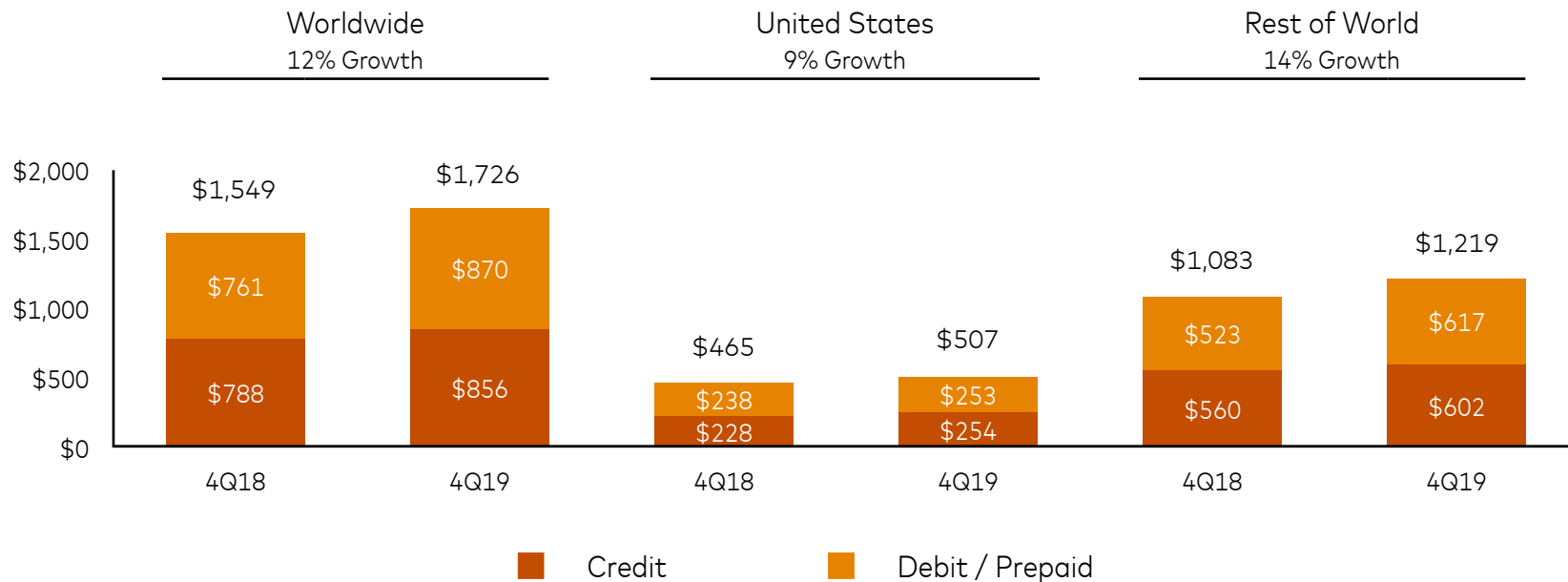
			YOY Growth	
	4Q 19 Non-GAAP	4Q 18 Non-GAAP	As adjusted	Currency Neutral
Net revenue	\$ 4,414	\$ 3,807	16%	17%
Adjusted operating expenses	2,015	1,816	11%	12%
Adjusted operating income	2,399	1,991	21%	22%
<i>Adjusted operating margin</i>	54.4%	52.3%	2.1 ppt	2.3 ppt
Adjusted net income	\$ 1,981	\$ 1,611	23%	25%
Adjusted diluted EPS	\$ 1.96	\$ 1.55	26%	28%
Adjusted effective tax rate	15.9%	18.3%		

Note: See Appendix A for Non-GAAP reconciliation.



4th Quarter Gross Dollar Volume (GDV)

(\$ in billions)

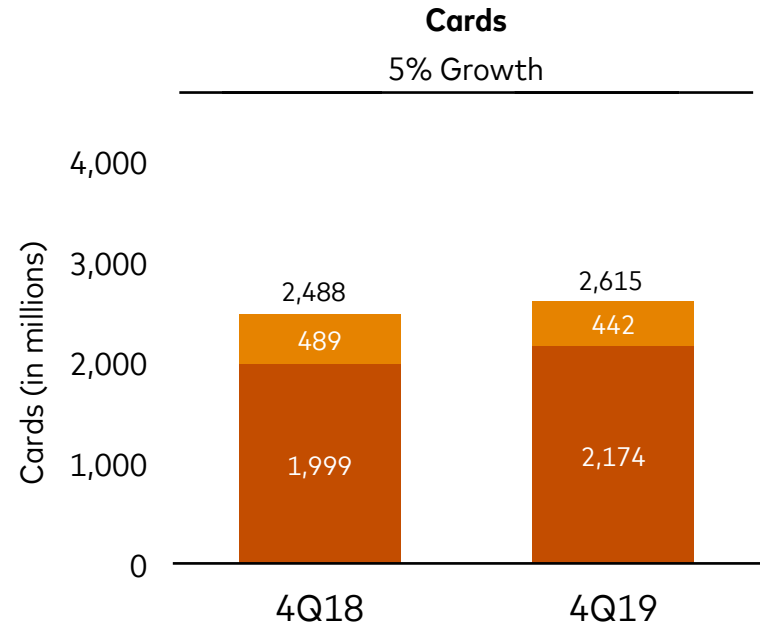
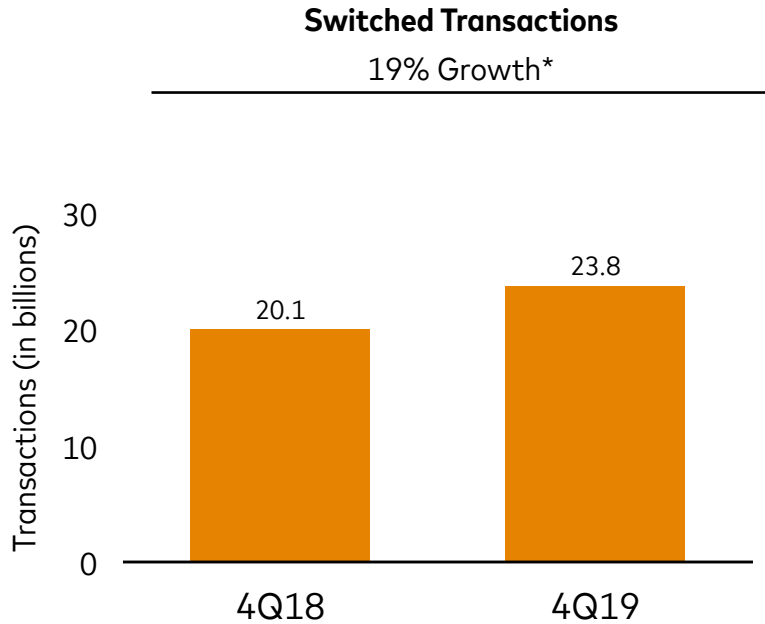


Notes: 1. Growth rates are shown in local currency.

2. Figures may not sum due to rounding.



4th Quarter Switched Transactions and Cards



■ Mastercard Cards ■ Maestro Cards

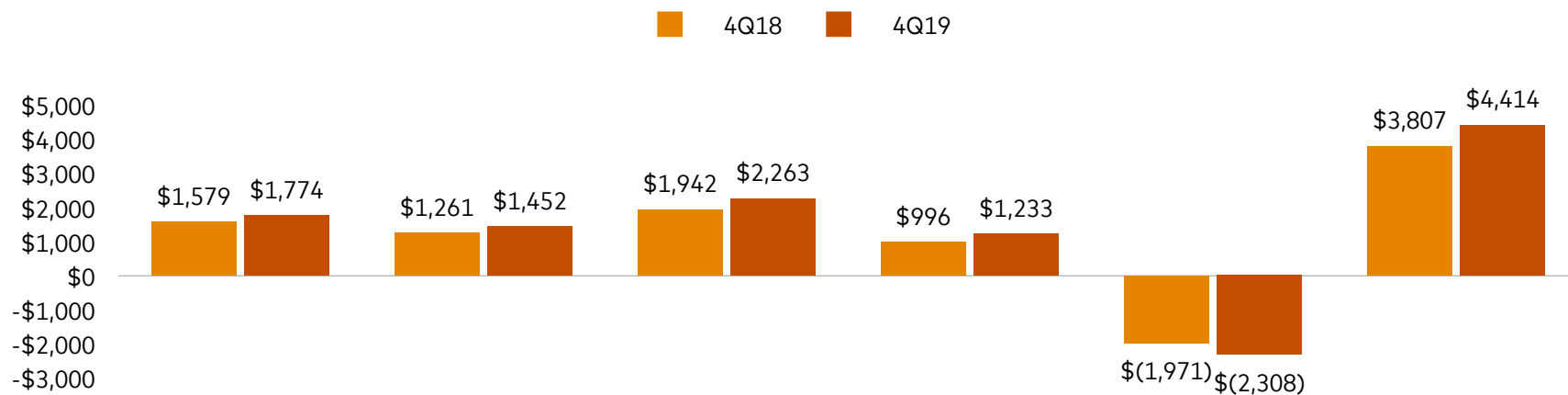
Notes: Figures may not sum due to rounding.

*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.



4th Quarter Revenue

(\$ in millions)



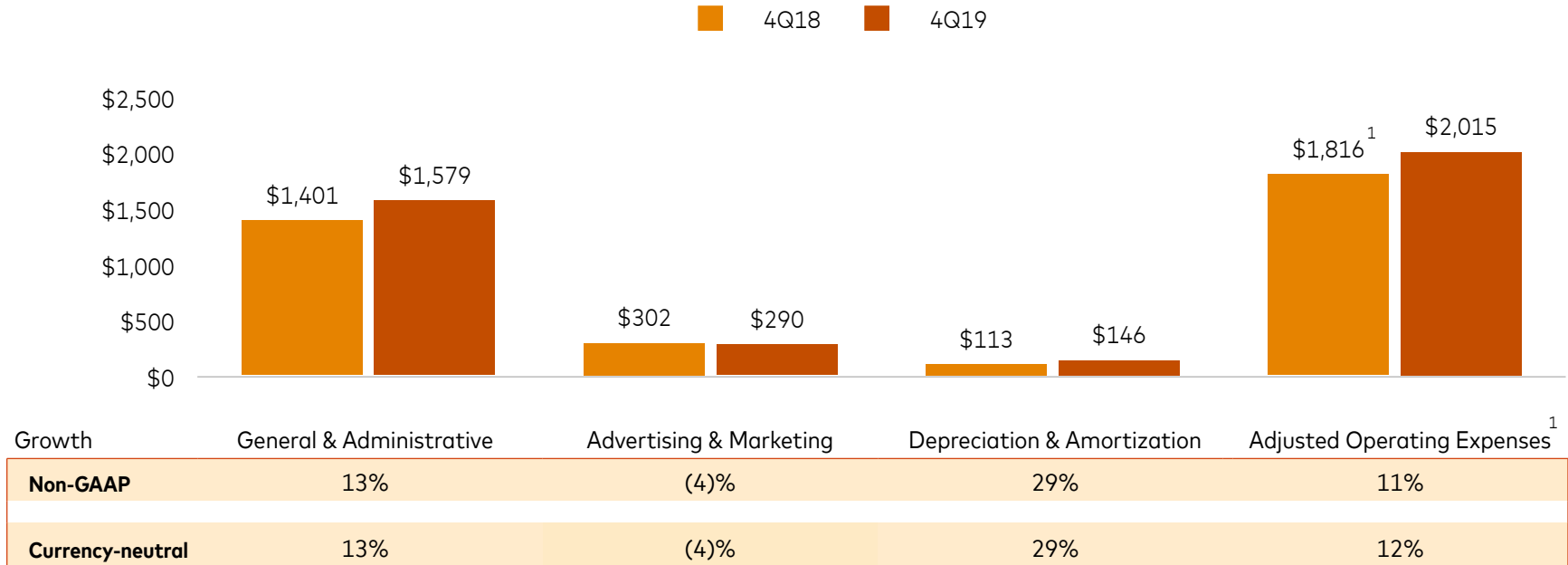
Growth	Domestic Assessments	Cross-Border Volume Fees	Transaction Processing Fees	Other Revenues	Rebates and Incentives	Total Net Revenue
As reported	12%	15%	17%	24%	17%	16%
Currency-neutral	14%	16%	18%	25%	18%	17%

Note: Figures may not sum due to rounding.



4th 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 January 21st

———— Thoughts for 2020



Thoughts for 2020

Non-GAAP, currency-neutral basis, excluding acquisitions¹

2020 Forecasted Growth

Net Revenue	Low-teens
Operating Expense	High end of high single-digits
Effective Tax Rate	17-18%

¹ Amounts exclude the impact of gains and losses on the company's equity investments, special items as described in Appendix C and/or currency. Amounts also exclude the impact of acquisitions closed after the beginning of 2019.



Appendices



Appendix A

Non-GAAP Reconciliation

(\$ in millions, except per share data)

Three Months Ended December 31, 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	\$ 2,015	\$ 2,399	54.4%	\$ 76	15.1 %	\$ 2,100	\$ 2.07
(Gains) losses on equity investments ¹	**	**	**	(119)	(0.4)%	(92)	\$ (0.09)
Tax act ²	**	**	**	**	1.2 %	(27)	\$ (0.03)
Non-GAAP	<u>\$ 2,015</u>	<u>\$ 2,399</u>	<u>54.4%</u>	<u>\$ (43)</u>	<u>15.9 %</u>	<u>\$ 1,981</u>	<u>\$ 1.96</u>

Three Months Ended December 31, 2018

	Operating expenses	Operating income	Operating margin	Other Income (Expense)	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	\$ 2,573	\$ 1,234	32.4%	\$ (19)	26.0 %	\$ 899	\$ 0.87
Litigation provisions ³	(757)	757	19.9%	**	(10.8)%	772	\$ 0.74
Tax act ⁴	**	**	**	**	3.0 %	(59)	\$ (0.06)
Non-GAAP	<u>\$ 1,816</u>	<u>\$ 1,991</u>	<u>52.3%</u>	<u>\$ (19)</u>	<u>18.3 %</u>	<u>\$ 1,611</u>	<u>\$ 1.55</u>

Note: Figures may not sum due to rounding.

** Not applicable

¹ Q4'19 net gains of \$119 million primarily related to unrealized fair market value adjustments on marketable and non-marketable equity securities.

² Q4'19 tax benefit of \$27 million related to additional foreign tax credits which can be carried back under the transition rules contained in the final foreign tax credit regulations issued in 2019.

³ Q4'18 pre-tax charges of \$757 million related to a \$654 million fine issued by the European Commission and \$103 million of litigation settlements with U.K. and Pan-European merchants.

⁴ 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 one-time deemed repatriation tax on accumulated foreign earnings (the "Transition Tax").



Appendix A (continued)

Non-GAAP Reconciliation

Three Months Ended December 31, 2019 as compared to the Three Months Ended December 31, 2018

	Increase/(Decrease)						
	Net revenue	Operating expenses	Operating income	Operating margin	Effective income tax rate	Net income	Diluted earnings per share
Reported - GAAP	16%	(22)%	94 %	21.9 ppt	(10.9) ppt	134 %	138 %
(Gains) losses on equity investments ¹	**	**	**	**	(0.4) ppt	(10)%	(10)%
Tax act ²	**	**	**	**	(1.9) ppt	13 %	13 %
Litigation provisions ³	**	33 %	(74)%	(19.9) ppt	10.8 ppt	(113)%	(114)%
Non-GAAP	16%	11 %	21 %	2.1 ppt	(2.4) ppt	23 %	26 %
Currency impact ⁴	1%	1 %	2 %	0.2 ppt	0.1 ppt	2 %	2 %
Non-GAAP - currency-neutral	17%	12 %	22 %	2.3 ppt	(2.2) ppt	25 %	28 %

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. Q4'19 net gains of \$119 million primarily related to unrealized fair market value adjustments on marketable and non-marketable equity investments. Prior year periods were not restated, as the impact of the change was de minimis.

² Q4'19 tax benefit of \$27 million related to additional foreign tax credits which can be carried back under the transition rules contained in the final foreign tax credit regulations issued in 2019. 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 Transition Tax.

³ Q4'18 pre-tax charges of \$757 million related to a \$654 million fine issued by the European Commission and \$103 million of litigation settlements with U.K. and Pan-European merchants.

⁴ Represents the currency translational and transactional impact.



Appendix B

Non-GAAP Growth Drivers

Twelve Months Ended December 31, 2019 as compared to the Twelve Months Ended December 31, 2018

	Increase/(Decrease)	
	Net revenue	Diluted earnings per share
Reported - GAAP	13 %	42 %
(Gains) losses on equity investments ¹	**	(2)%
Tax act ^{2,3}	**	1 %
Litigation provisions ⁴	**	(21)%
Non-GAAP	13 %	20 %
Currency impact ⁵	3 %	3 %
Non-GAAP - currency-neutral	16 %	23 %
Acquisition impact ⁶	(1)%	1 %
Non-GAAP, currency-neutral, excluding acquisitions	15 %	24 %

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. Fiscal year 2019 net gains of \$167 million primarily related to unrealized fair market value adjustments on marketable and non-marketable equity securities. Prior year periods were not restated, as the impact of the change was de minimis.

² Fiscal year 2019 net tax benefit of \$57 million included a \$30 million benefit related to a reduction to the Transition Tax resulting from final tax regulations issued in 2019 and a \$27 million benefit related to additional foreign tax credits which can be carried back under the transition rules contained in the final foreign tax credit regulations issued in 2019.

³ Fiscal year 2018 pre-tax charges of \$1,128 million related to a \$654 million fine issued 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 litigation settlements with U.K. and Pan-European merchants.

⁴ Fiscal year 2018 net tax benefit of \$75 million included a \$90 million benefit related to the carryback of foreign tax credits due to the transition rules, offset by a net \$15 million expense primarily related to the true-up to the Transition Tax.

⁵ Represents the currency translational and transactional impact.

⁶ Acquisitions closed in 2019



Appendix C

Non-GAAP Reconciliation

2020 full-year financial outlook

	2020 vs. 2019 Increase/(Decrease)	
	Net Revenue	Operating Expenses
Forecasted Growth - GAAP ¹	Mid-teens	High-teens
Litigation provisions	**	**
Non-GAAP Growth	Mid-teens	High-teens
Currency impact ²	- %	- %
Acquisitions ³	(2)%	(7-9)%
Non-GAAP Growth, currency neutral, excluding acquisitions	Low-teens	High end of high single-digits

** Not applicable.

¹ GAAP - 2020 Forecast versus 2019 reported results

² 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.

³ Acquisitions closed after the beginning of 2019.



Appendix D

Non-GAAP Reconciliation

First quarter 2020 financial outlook

	Q1'20 vs. Q1'19 Increase/(Decrease)	
	Net Revenue	Operating Expenses
Forecasted Growth - GAAP ¹	Low double-digits	Mid-teens
Litigation provisions	**	**
Non-GAAP Growth	Low double-digits	Mid-teens
Currency impact ²	~ 1%	- %
Acquisitions ³	~ (1)%	(7-9)%
Non-GAAP Growth, currency neutral, excluding acquisitions	Low double-digits	High end of high single-digits

** Not applicable.

¹ GAAP - Q1'20 Forecast versus Q1'19 reported results

² 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.

³ Acquisitions closed after the beginning of 2019.



Appendix E

Revenue Growth Drivers

	Three Months Ended December 31, 2019				
	Volume	Acquisitions	Currency Impact ¹	Other ²	Total
Domestic assessments	13%	—%	(1)%	1%	12%
Cross-border volume fees	15%	—%	(1)%	1%	15%
Transaction processing	15%	—%	(1)%	3%	17%
Other revenues	**	4%	(1)%	20% ³	24%
Rebates and incentives	10%	—%	(1)%	8% ⁴	17%
Net revenue	13%	1%	(1)%	3%	16%

Note: Table may not sum due to rounding

** Not applicable

¹ Represents the currency translational and transactional impact.

² Includes impact from pricing and other non-volume based fees.

³ Includes impacts from cyber and intelligence fees, Advisors fees and other payment-related products and services.

⁴ Includes the impact of new, renewed and expired agreements.



Appendix F

Operating Expense Growth Drivers (Non-GAAP)

	Three Months Ended December 31, 2019			
	Operational	Acquisitions	Currency Impact¹	Total
General and administrative	9 %	4%	(1)%	13 %
Advertising and marketing	(4)%	1%	(1)%	(4)%
Depreciation and amortization	17 %	12%	— %	29 %
Total operating expenses	7 %	4%	(1)%	11 %

Note: Table may not sum due to rounding.

¹ Represents the currency translational and transactional impact.



Appendix G

4th Quarter G&A Detail

(\$ in millions)

	4Q 19	4Q 18	Increase/(Decrease)	
			\$	%
Personnel	\$936	\$843	\$93	11%
Professional fees	154	124	30	24%
Data processing and telecommunications	178	163	15	9%
Foreign exchange activity	20	(7)	27	**
Other	291	278	13	5%
General and administrative expenses	\$1,579	\$1,401	\$178	13%

Note: Figures may not sum due to rounding

** Not meaningful

