

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2018

OR  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 001-16111



**GLOBAL PAYMENTS INC.**

(Exact name of registrant as specified in charter)

**Georgia**

(State or other jurisdiction of  
incorporation or organization)

**58-2567903**

(I.R.S. Employer  
Identification No.)

**3550 Lenox Road, Atlanta, Georgia**  
(Address of principal executive offices)

**30326**  
(Zip Code)

Registrant's telephone number, including area code: **770-829-8000**  
Securities registered pursuant to Section 12(b) of the Act:

Title of each class

**Common Stock, No Par Value**

Name of each exchange  
on which registered

**New York Stock Exchange**

Securities registered pursuant to Section 12(g) of the Act:

**NONE**

(Title of Class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

Emerging growth company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes  No

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the registrant's most recently completed second fiscal quarter was \$17,478,395,120. The number of shares of the registrant's common stock outstanding at February 19, 2019 was 157,603,304 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Specifically identified portions of the registrant's proxy statement for the 2019 annual meeting of shareholders are incorporated by reference in Part III.

**GLOBAL PAYMENTS INC.  
2018 ANNUAL REPORT ON FORM 10-K**

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## EXPLANATORY NOTE REGARDING TRANSITION PERIOD

In 2016, we changed our fiscal year-end from May 31 to December 31. We refer to the period consisting of the seven-months ended December 31, 2016 as the "2016 fiscal transition period."

When our financial results for the year ended December 31, 2017 and the 2016 fiscal transition period are compared to our financial results for the prior-year periods, the results compare the twelve-month period from January 1, 2017 through December 31, 2017 to the twelve-month period from January 1, 2016 through December 31, 2016 and compare the seven-month period from June 1, 2016 through December 31, 2016 to the seven-month period from June 1, 2015 through December 31, 2015. The results for the twelve months ended December 31, 2016 and the seven months ended December 31, 2015 are unaudited.

## CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

Unless the context requires otherwise, references in this report to "Global Payments," the "Company," "we," "our" or "us," refer to Global Payments Inc. and its subsidiaries.

Some of the statements we use in this report, and in some of the documents we incorporate by reference in this report, contain forward-looking statements concerning our business operations, economic performance and financial condition, including in particular: our business strategy and means to implement the strategy; measures of future results of operations, such as revenues, expenses, operating margins, income tax rates, and earnings per share; other operating metrics such as shares outstanding and capital expenditures; our success and timing in developing and introducing new services and expanding our business; statements about the benefits of our acquisitions, including future financial and operating results, the combined company's plans, objectives, expectations and intentions, and the successful integration of our future acquisitions. You can sometimes identify forward-looking statements by our use of the words "believes," "anticipates," "expects," "intends," "plan," "forecast," "guidance" and similar expressions. For these statements, we claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Although we believe that the plans and expectations reflected in or suggested by our forward-looking statements are reasonable, those statements are based on a number of assumptions, estimates, projections or plans that are inherently subject to significant risks, uncertainties and contingencies, many of which are beyond our control, cannot be foreseen and reflect future business decisions that are subject to change. Accordingly, we cannot guarantee you that our plans and expectations will be achieved. Our actual revenues, revenue growth rates and margins, other results of operations and shareholder values could differ materially from those anticipated in our forward-looking statements as a result of many known and unknown factors, many of which are beyond our ability to predict or control. Important factors that may cause actual events or results to differ materially from those anticipated by our forward-looking statements include our ability to safeguard our data; increased competition from larger companies and non-traditional competitors; our ability to update our services in a timely manner; our ability to maintain Visa and Mastercard registration and financial institution sponsorship; our reliance on financial institutions to provide clearing services in connection with our settlement activities; our potential failure to comply with card network requirements; potential systems interruptions or failures; software defects or undetected errors; increased attrition of merchants, referral partners or independent sales organizations; our ability to increase our share of existing markets and expand into new markets; development of market trends and technologies; a decline in the use of cards for payment generally; unanticipated increases in chargeback liability; increases in credit card network fees; changes in laws, regulations or network rules or interpretations thereof; foreign currency exchange and interest rate risks; political, economic and regulatory changes in the foreign countries in which we operate; future performance, integration and conversion of acquired operations, including without limitation difficulties and delays in integrating or fully realizing cost savings and other benefits of our acquisitions at all or within the expected time period; fully realizing anticipated annual interest expense savings from refinancing our Credit Facility (described in "Note 8—Long-Term Debt and Lines of Credit" in the notes to the accompanying consolidated financial statements); loss of key personnel; and other risk factors presented in Item "1A - Risk Factors of this Annual Report on Form 10-K," which we advise you to review. These cautionary statements qualify all of our forward-looking statements, and you are cautioned not to place undue reliance on these forward-looking statements.

Our forward-looking statements speak only as of the date they are made and should not be relied upon as representing our plans and expectations as of any subsequent date. While we may elect to update or revise forward-looking statements at some time in the future, we specifically disclaim any obligation to publicly release the results of any revisions to our forward-looking statements, except as required by law.

## PART I

### ITEM 1- BUSINESS

*Global Payments, Inc. and its consolidated subsidiaries are referred to collectively as "Global Payments," the "Company," "we," "our" or "us," unless the context requires otherwise.*

#### Introduction

We are a leading worldwide provider of payment technology and software solutions delivering innovative services to our customers globally. Our technologies, services and employee expertise enable us to provide a broad range of solutions that allow our customers to accept various payment types and operate their businesses more efficiently. We distribute our services across a variety of channels in 32 countries throughout North America, Europe, the Asia-Pacific region and Brazil and operate in three reportable segments: North America, Europe and Asia-Pacific.

We were incorporated in Georgia as Global Payments Inc. in 2000 and spun-off from our former parent company in 2001. Including our time as part of our former parent company, we have been in the payment technology services business since 1967. Since our spin-off, we have expanded in existing markets and into new markets internationally by pursuing further acquisitions and joint ventures. In 2016, we merged with Heartland Payment Systems, Inc. ("Heartland"), which significantly expanded our small and medium-sized enterprise distribution, customer base and vertical reach in the United States. For the year ended December 31, 2018, our revenues were \$3.4 billion.

Headquartered in Atlanta, Georgia, we are a member of the Standard & Poor's 500 Index, and our common stock is traded on the New York Stock Exchange under the symbol "GPN."

#### Recent Acquisitions

On October 17, 2018, we acquired SICOM Systems, Inc. ("SICOM") for total purchase consideration of approximately \$409 million. SICOM is a provider of end-to-end enterprise, cloud-based software solutions and other technologies to quick service restaurants and food service management companies. SICOM's technologies are complementary to our existing Xenial solutions, and we believe this acquisition will expand our software-driven payments strategy by enabling us to increase our capabilities and expand on our existing presence in the restaurant vertical market.

On September 4, 2018, we acquired AdvancedMD, Inc. ("AdvancedMD") for total purchase consideration of approximately \$707 million. AdvancedMD is a provider of cloud-based enterprise software solutions to small-to-medium sized ambulatory care physician practices in the United States. We believe this acquisition will expand our software-driven payments strategy by enabling us to enter the healthcare vertical market, a large and fragmented market with strong payment fundamentals and attractive growth opportunities.

On September 1, 2017, we acquired the communities and sports divisions of Athlaction Topco, LLC ("ACTIVE Network") for total purchase consideration of \$1.2 billion. ACTIVE Network delivers cloud-based enterprise software, including payment technology solutions, to event organizers in the communities and health and fitness vertical markets. This acquisition aligns with our technology-enabled, software driven strategy and adds an enterprise software business operating in two vertical markets that we believe offer attractive growth fundamentals.

See "Note 2—Acquisitions" in the notes to the accompanying consolidated financial statements for further discussion of these and other acquisitions.

#### Payment Technology and Software Solutions Overview

We provide payment technology and software solutions to customers globally. Our payment technology solutions are similar around the world in that we enable our customers to accept card, electronic, check and digital-based payments. Our comprehensive offerings include, but are not limited to, authorization services, settlement and funding services, customer support and help-desk functions, chargeback resolution, terminal rental, sales and deployment, payment security services, consolidated billing and statements and on-line reporting.

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In addition, we offer a wide array of enterprise software solutions that streamline business operations to customers in numerous vertical markets. We also provide a variety of value-added services, including analytic and engagement tools, payroll services and reporting that assist our customers with driving demand and operating their businesses more efficiently.

Our value proposition is to provide distinctive high-quality, responsive and secure services to all of our customers. We distribute our services through multiple channels and target customers in many vertical markets in 32 countries located throughout North America, Europe, the Asia-Pacific region and in Brazil. The majority of revenues is generated by services priced as a percentage of transaction value or a specified fee per transaction, depending on the card type or the market. We also earn software subscription and licensing fees, as well as other fees based on specific value-added services that may be unrelated to the number or value of transactions.

### ***Direct Distribution***

Our primary business model is to actively market and provide our payment services, enterprise software solutions and other value-added services directly to our customers through a variety of distribution channels. We offer high-touch services that provide our customers with reliable and secure solutions coupled with high quality and responsive support services. Through our direct sales force worldwide, as well as bank partnerships, we offer our payment technology services, software and other value-added solutions directly to customers in the markets we serve. See "Business Segments" below for a description of our direct sales forces located around the world.

Many of our payment solutions are technology-enabled in that they incorporate or are incorporated into innovative, technology-driven solutions, including enterprise software solutions, designed to enable merchants to better manage their businesses. Our primary technology-enabled solutions include integrated and vertical markets, ecommerce and omnichannel and gaming solutions, each as described below.

*Integrated and Vertical Markets.* Our integrated and vertical market solutions provide advanced payments technology that is deeply integrated into business enterprise software solutions either owned by us or by our partners. We grow our business when new merchants implement our enterprise software solutions and when new or existing merchants enable payments services through enterprise software solutions sold by us or by our partners. We distribute our integrated payment solutions primarily through the following businesses:

- *OpenEdge.* Through OpenEdge, we offer integrated payment solutions through technology partners across numerous vertical markets, primarily in North America. OpenEdge enables third-party application developers to incorporate payment innovations into their enterprise business solutions.
- *Ezidebit.* Through Ezi Holdings Pty Ltd ("Ezidebit"), we offer integrated payment technology solutions in the Asia-Pacific region. Ezidebit focuses on recurring payments verticals and, similar to OpenEdge, markets its services through a network of integrated software vendors and direct channels to numerous vertical markets.
- *ACTIVE Network.* Through ACTIVE Network, we deliver cloud-based enterprise software, including payment technology solutions, to event organizers in the communities and health and fitness markets.
- *Education Solutions.* We offer integrated payment solutions specifically designed for all levels of educational institutions. At the university level, we offer integrated commerce solutions, payment services, higher education loan services, credentialing services and open- and closed-loop payment solutions. For kindergarten through 12<sup>th</sup> grade, we provide ecommerce and in-person payments, cafeteria POS solutions and back-office management software, hardware, technical support and training.
- *AdvancedMD.* Through AdvancedMD, we provide cloud-based enterprise solutions to small-to-medium sized ambulatory physician practices in the United States.
- *Xenial and SICOM.* Through Xenial and SICOM, we offer leading-edge enterprise software solutions, integrated with our payment services and other adjacent business service applications, to the restaurant and hospitality and retail vertical markets.

*Ecommerce and Omnichannel.* We offer ecommerce and omnichannel solutions to our customers that seamlessly blend payment gateway services, retail payment acceptance infrastructure and payment technology service capabilities through a unified commerce platform to allow merchants to accept various payment methods through any channel across our geographical footprint. We sell ecommerce and omnichannel solutions to customers of all sizes, from small businesses accepting payments in a single

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country, to enterprise and multinational businesses that have complex payment needs and operate retail and online businesses in multiple countries.

**Gaming.** We offer a comprehensive suite of cash access solutions to the gaming market in North America. These solutions include credit and debit card cash advance, traditional and electronic check processing and other services specific to this market. Our services allow casino patrons in North America fast access to cash with high limits to enable gaming establishments to increase the flow of money to their gaming floors and reduce risk.

### **Wholesale Distribution**

Although our primary business model is to build high quality direct relationships with merchants, we also provide our services through a wholesale distribution channel where we do not maintain the face-to-face relationship with the merchant. Through our wholesale channel, we provide payment services to merchants through independent sales organizations ("ISOs"). The ISOs act as third-party sales groups selling our payment technology services directly to end-user merchant customers. As we continue to grow and control our direct distribution by adding new channels and partners, including expanding our ownership of additional enterprise software solutions in select vertical markets, our wholesale distribution channel has become a smaller portion of our business.

### **Credit and Debit Card Transaction Processing**

Credit and debit card transaction processing includes the processing of the world's major international card brands, including American Express, Discover Card ("Discover"), JCB, Mastercard, UnionPay International ("UPI"), Visa and non-traditional payment methods, as well as certain domestic debit networks, such as Interac in Canada. Credit and debit networks establish uniform regulations that govern much of the payment card industry. During a typical payment transaction, the merchant and the card issuer do not interface directly with each other, but instead rely on payments technology companies, such as Global Payments, to facilitate transaction processing services, including authorization, electronic draft capture, file transfers to facilitate funds settlement and certain exception-based, back office support services such as chargeback and retrieval resolution.

We process funds settlement under two models, a sponsorship model and a direct membership model. Under the sponsorship model, we are designated as an ISO by Mastercard and Visa. To be designated as a certified processor, member clearing financial institutions ("Members") sponsor us and require our adherence to the standards of the networks. In certain markets, we have sponsorship or depository and clearing agreements with financial institution sponsors. These agreements allow us to route transactions under the Members' control and identification numbers to clear card transactions through Mastercard and Visa. In this model, the standards of the card networks restrict us from performing funds settlement or accessing merchant settlement funds, and, instead, require that these funds be in the possession of the Member until the merchant has been funded.

Under the direct membership model, we are direct members in various payment networks, allowing us to process and fund transactions without third-party sponsorship. In this model, we route and clear transactions directly through the card brand's network and are not restricted from performing funds settlement. Otherwise, we process these transactions similarly to how we process transactions in the sponsorship model. We are required to adhere to the standards of the various networks in which we are direct members. We maintain relationships with financial institutions, which may also serve as our Member sponsors for other card brands or in other markets, to assist with funds settlement.

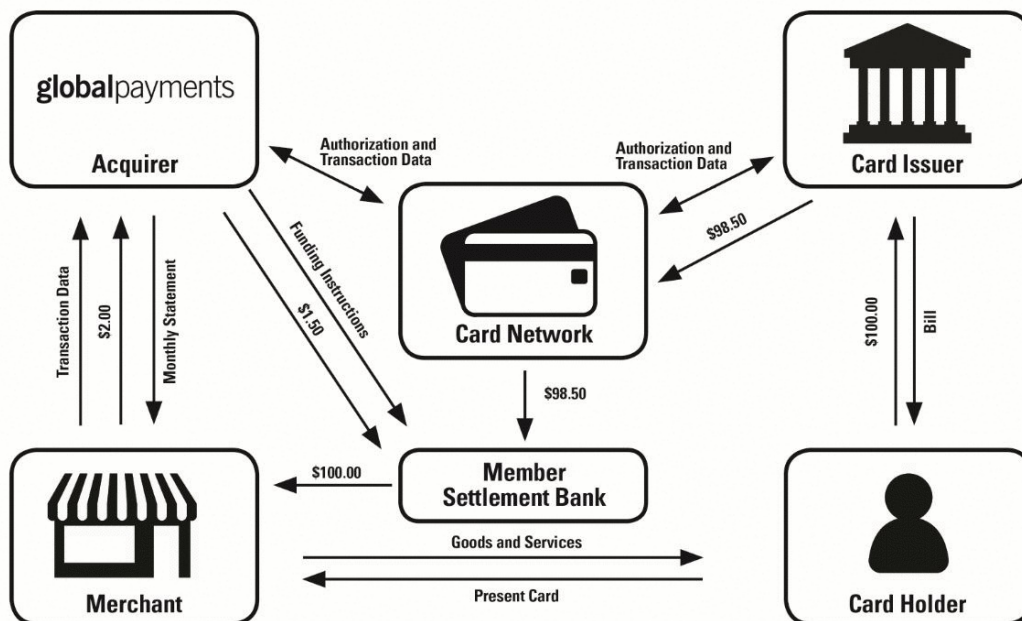
### **How a Card Transaction Works**

A typical payment transaction begins when a cardholder presents a card for payment at a merchant location where the card information is captured by a POS terminal card reader or mobile device card reader, which may be sold or leased to the merchant and serviced by us. Alternatively, card and transaction information may be captured and transmitted to our network through a POS device or ecommerce portal by one of a number of services that we offer directly or through a value-added reseller. The card reader electronically records sales draft information, such as the card identification number, transaction date and transaction amount.

After the card and transaction information is captured, the POS device automatically connects to our network through the internet or other communication channel in order to receive authorization of the transaction. For a credit card transaction, authorization services generally refer to the process in which the card issuer indicates whether a particular credit card is authentic and whether the impending transaction amount will cause the cardholder to exceed defined credit limits. In a debit card transaction, we obtain authorization for the transaction from the card issuer through the payment network verifying that the cardholder has access to sufficient funds for the transaction amount.

As an illustration, shown below, on a \$100.00 card transaction, the card issuer may fund the Member, our sponsor, (indirectly through the card network) \$98.50 after retaining approximately \$1.50 referred to as an interchange fee. The card issuer seeks reimbursement of \$100.00 from the cardholder in the cardholder's monthly credit card statement. The Member would, in turn, pay the merchant \$100.00. The net settlement after this transaction would require us to advance the Member \$1.50. After the end of the month, we would bill the merchant a percentage of the transaction amount, or merchant discount, to cover the full amount of the interchange fee and our fee from the transaction. If our discount rate for the merchant in the above example was 2.00%, we would bill the merchant \$2.00 after the end of the month for the transaction, reimburse ourselves for \$1.50 in interchange fees and retain \$0.50 as our fees for the transaction. Under some arrangements, we remit the net amount of \$98.00 to the merchant, rather than funding the full \$100.00 and subsequently billing the merchant at the end of the month. Discount rates vary based on negotiations with merchants and the economic characteristics of transactions. Interchange rates also vary based on the economic characteristics of individual transactions. Accordingly, our fee per transaction varies across our merchant base and is subject to change based on changes in discount rates and interchange rates. Our profit on the transaction reflects the fee received less payment network fees and operating expenses, including systems cost to process the transaction and commissions paid to our sales force or ISO. Payment network fees are charged by the card brands, in part, based on the value of transactions processed through their networks.

## How A Payment Transaction Works



### Business Segments

We operate in three reportable segments: North America, Europe and Asia-Pacific. See "Note 16—Segment Information" in the notes to the accompanying consolidated financial statements for additional information about our segments, including revenues, operating income and depreciation and amortization by segment as well as financial information about geographic areas in which we operate. In general, our business has not experienced pronounced seasonality. However, each geographic channel has somewhat higher and lower quarters given the nature of the merchant portfolio. Our foreign operations subject us to various risks, including, without limitation, currency exchange risks and political, economic and regulatory risks. See "Item 1A - Risk Factors" for additional information about these risks.

### North America

Approximately 74.9% of our revenues for the year ended December 31, 2018 were derived from our operations in North America, which include the United States and Canada.



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Our primary mode of distribution in North America is our direct distribution channels, including an extensive direct sales force selling our services and solutions across numerous vertical markets, including, but not limited to, education, restaurant, event management, hospitality, retail, healthcare, convenience stores and petroleum, professional services, automotive and lodging.

Our technology-enabled solutions represented a substantial component of our revenues in North America for the year ended December 31, 2018. Our technology-enabled distribution in North America includes integrated and vertical market solutions, ecommerce and omnichannel solutions and gaming solutions.

We also generate a portion of our revenues in North America from our wholesale distribution channel, primarily ISOs acting as third-party selling groups.

### ***Europe***

Approximately 18.1% of our revenues for the year ended December 31, 2018 were derived from our operations in Europe, which includes the United Kingdom, the Republic of Ireland, Spain, the Republic of Malta, the Czech Republic, Hungary, Slovakia, Romania and the Russian Federation. We have direct sales forces in these markets through which we sell our services while also leveraging our bank referral relationships. Our ecommerce and omnichannel solutions represent a growing percentage of the services we sell in Europe.

### ***Asia-Pacific***

Approximately 6.9% of our revenues for the year ended December 31, 2018 were derived from our operations in the Asia-Pacific region, which includes the following countries and territories: Australia, China, Hong Kong, India, Macau, Malaysia, Maldives, New Zealand, the Philippines, Singapore, Sri Lanka and Taiwan. Our direct sales force in the Asia-Pacific region accounts for substantially all of the services we sell in the region.

Technology-enabled solutions represent a substantial and growing portion of our operations in the Asia-Pacific region, driven by Ezidebit and eWay Limited in Australia.

### **Industry Overview**

The payment technology services industry provides merchants with credit, debit, gift and loyalty card and other payment processing services, along with related information services. The industry continues to grow as a result of wider merchant acceptance, increased consumer use of credit and debit cards and advances in payment processing and telecommunications technology. The proliferation of credit and debit cards has made the acceptance of card-based payments a virtual necessity for many businesses, regardless of size, in order to remain competitive. This increased use of cards and the availability of more sophisticated technology services to all market segments has resulted in a highly competitive and specialized industry.

#### *Competition*

We are a leading provider of payments technology and software solutions in North America, where we compete primarily with Bank of America Merchant Services, LLC (a joint venture between First Data Corporation and Bank of America Corporation), Chase Paymentech Solutions, LLC, Elavon, Inc., a subsidiary of U.S. Bancorp, First Data Corporation, Total System Services, Inc., Wells Fargo Bank, N.A and Worldpay, Inc. While these are our primary competitors, some of our vertically focused business in the United States compete with other organizations.

In Europe and the Asia-Pacific region, financial institutions remain the primary providers of payment technology services to merchants, although the outsourcing of these services to third-party service providers is becoming more prevalent. Payment services have become increasingly complex, requiring significant capital commitments to develop, maintain and update the systems necessary to provide these advanced services at competitive prices.

Competitors in Europe include Ayden N.V., Barclays Bank PLC, Spanish banking institutions and Worldpay, Inc. Financial institutions that offer merchant acquiring services are our primary competitors in Asia-Pacific.



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### *Emerging Trends*

The payments technology industry continues to grow worldwide and as a result, certain large payment technology companies, including us, have expanded operations globally by pursuing acquisitions and creating alliances and joint ventures. We expect to continue to expand into new markets internationally and increase our scale and improve our competitiveness in existing markets by pursuing further acquisitions and joint ventures.

We believe that the number of electronic payment transactions will continue to grow and that an increasing percentage of these will be facilitated through emerging technologies. As a result, we expect an increasing portion of our future capital investment will be allocated to support the development of new and emerging technologies; however, we do not expect our aggregate capital spending to increase materially from our current level of spending as a result of this.

We also believe new markets will continue to develop in areas that have been previously dominated by paper-based transactions. We expect industries such as education, government and healthcare, as well as recurring payments and business-to-business payments, to continue to see transactions migrate to electronic-based solutions. We anticipate that the continued development of new services and the emergence of new vertical markets will be a factor in the growth of our business and our revenue in the future.

### **Strategy**

We seek to leverage the adoption of, and transition to, card, electronic and digital-based payments by expanding share in our existing markets through our distribution channels and service innovation, as well as through acquisitions to improve our offerings and scale. We also seek to enter new markets through acquisitions, alliances and joint ventures around the world. We intend to continue to invest in and leverage our technology infrastructure and our people to increase our penetration in existing markets.

The key tenets of our strategy include the following:

- Grow and control our direct distribution by adding new channels and partners, including expanding our ownership of additional enterprise software solutions in select vertical markets;
- Deliver innovative services by developing value-added applications, enhancing existing services and developing new systems and services to blend technology with customer needs;
- Leverage technology and operational advantages throughout our global footprint;
- Continue to develop seamless multinational solutions for leading global customers;
- Provide customer service at levels that exceed our competition, while investing in technology, training and enhancements to our service offerings; and
- Pursue potential domestic and international acquisitions of, investments in and alliances with companies that have high growth potential, significant market presence, sustainable distribution platforms and/or key technological capabilities.

### **Competitive Strengths**

We believe that our competitive strengths include the following:

- *Global Footprint and Distribution* - Our worldwide presence allows us to focus our investments on markets with promising gross domestic product fundamentals and favorable secular trends, makes us more attractive to merchants with international operations and exposes us to emerging innovations that we can adopt globally, while diversifying our economic risk.
- *Technology Solutions* - We provide innovative technology-based solutions, including enterprise software solutions, that enable our customers to operate their business more efficiently and simplify the payments process, regardless of the channel through which the transaction occurs. We believe our robust technology solutions will continue to differentiate us in the marketplace and will position us for continued growth.

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- *Scalable Operating Environment and Technology Infrastructure* - We operate as a single, unified international organization, with a multi-channel, global technology infrastructure, which provides scalable and innovative service offerings and a consistent service experience to our merchants and partners worldwide, while also driving sustainable operating efficiencies.
- *Strong, Long-lasting Partner Relationships* - We have established strong, long-lasting relationships with many financial institutions, enterprise software providers, value-added resellers and other technology-based payment service providers, which facilitate lead generation and enable us to deliver a diverse solutions set to our merchant customers.
- *Disciplined Acquisition Approach* - Our proven track record for selectively and successfully sourcing, completing and integrating acquired businesses in existing and new markets positions us well for future growth and as an attractive partner for potential acquisition targets.

### **Safeguarding Our Business**

In order to provide our services, we obtain and store sensitive business information and personal information about our merchants, merchants' customers, merchants' employees, vendors, partners and other parties, which may include credit and debit card numbers, bank account numbers, social security numbers, drivers' license numbers, names and addresses, and other types of personal information or sensitive business information. Some of this information is also processed and stored by our third-party service providers and other agents (which we refer to collectively as our "associated third parties") as well as merchants and ISOs. We have responsibility to the card networks, their member financial institutions, and in some instances, our merchants, ISOs and/or individuals, for our failure or the failure of our associated third parties or merchants (as applicable) to protect this information.

We are subject to cyber security and information theft risks in our operations, which we seek to manage through a cyber and information security programs, training and insurance coverage. To strengthen our security and cyber defenses, we continue to deploy multiple methods at different layers to defend our systems against misuse, intrusions and cyberattacks and to protect the data we collect. Further, we work with information security and forensics firms and employ advanced technologies to help prevent, investigate and address issues relating to processing system security and availability. We also collaborate with industry third parties, regulators and law enforcement, when appropriate, to resolve security incidents and assist in efforts to prevent unauthorized access to our processing systems.

### **Intellectual Property**

Our intellectual property is an important part of our strategy to be a leading provider of payment technology and software solutions. We use a combination of internal policies, intellectual property laws, and contractual provisions to protect our proprietary technologies and brands. In addition, to protect our various brands, we seek and maintain registration of U.S. and international trademarks, service marks and domain names that align with our brand strategy. We also enforce our trademarks against potential sources of confusion that could harm our brand and ability to compete.

### **Employees and Labor**

As of December 31, 2018, we had approximately 11,000 employees, many of whom are highly skilled in technical areas specific to payment technology and software solutions.

### **Regulation**

Various aspects of our business are subject to regulation and supervision under federal, state and local laws in the United States, such as the California Consumer Privacy Act (the "CCPA"), and foreign laws, regulations and rules, including Directive 2007/64/EC in the European Union (the "Payment Services Directive"), as well as local escheat laws and privacy and information security regulations. In addition, we are subject to rules promulgated by the various payment networks, including American Express, Discover, Interac, Mastercard, UPI and Visa. In addition, because we provide data processing services to banks and other financial institutions, we are subject to examination by the Federal Financial Institutions Examination Council (the "FFIEC"). Set forth below is a brief summary of some of the significant laws and regulations that apply to us. These descriptions are not exhaustive, and these laws, regulations and rules frequently change and are increasing in number.

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### *Dodd-Frank Act*

The Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act"), which was signed into law in the United States in 2010, resulted in significant structural and other changes to the regulation of the financial services industry. The Dodd-Frank Act directed the Board of Governors of the Federal Reserve (the "Federal Reserve Board") to regulate the debit interchange transaction fees that a card issuer or payment card network receives or charges for an electronic debit transaction. Pursuant to the so-called "Durbin Amendment" to the Dodd-Frank Act, these fees must be "reasonable and proportional" to the cost incurred by the card issuer in authorizing, clearing and settling the transaction. Pursuant to regulations promulgated by the Federal Reserve Board, debit interchange rates for card issuers with assets of \$10 billion or more are capped at \$0.21 per transaction and an ad valorem component of 5 basis points to reflect a portion of the issuer's fraud losses plus, for qualifying issuers, an additional \$0.01 per transaction in debit interchange for fraud prevention costs. The cap on interchange fees has not had a material direct effect on our results of operations.

In addition, the Dodd-Frank Act limits the ability of payment card networks to impose certain restrictions because it allows merchants to: (i) set minimum dollar amounts (not to exceed \$10) for the acceptance of a credit card (and allows federal governmental entities and institutions of higher education to set maximum amounts for the acceptance of credit cards) and (ii) provide discounts or incentives to encourage consumers to pay with cash, checks, debit cards or credit cards.

The rules also contain prohibitions on network exclusivity and merchant routing restrictions that require a card issuer to enable at least two unaffiliated networks on each debit card, prohibit card networks from entering into exclusivity arrangements and restrict the ability of issuers or networks to mandate transaction routing requirements. The prohibition on network exclusivity has not significantly affected our ability to pass on network fees and other costs to our customers, nor do we expect it to in the future.

The Dodd-Frank Act also created the Financial Stability Oversight Council (the "FSOC"), which was established to, among other things, identify risks to the stability of the U.S. financial system. The FSOC has the authority to require supervision and regulation of nonbank financial companies that the FSOC determines pose a systemic risk to the U.S. financial system. Accordingly, we may be subject to additional systemic risk-related oversight.

### *Payment Network Rules*

We are subject to the rules of American Express, Discover, Interac, Mastercard, UPI and Visa and other payment networks. In order to provide our services, several of our subsidiaries are either registered as service providers for member institutions with Mastercard, Visa and other networks or are direct members of Mastercard, Visa and other networks. Accordingly, we are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions.

### *Banking Laws and Regulations*

The FFIEC is an interagency body comprised of federal bank and credit union regulators such as the Federal Reserve Board, the Federal Deposit Insurance Corporation, the National Credit Union Administration, the Office of the Comptroller of the Currency and the Consumer Financial Protection Bureau (the "CFPB"). The FFIEC examines large data processors in order to identify and mitigate risks associated with systemically significant service providers, including specifically the risks they may pose to the banking industry. In addition, we are subject to the Payment Services Directive, which was implemented in most European Union member states through national legislation. As a result of this legislation, we are subject to regulation and oversight in certain European Union member nations, including the requirement that we maintain specified regulatory capital; however, these regulatory capital requirements are generally insignificant to our total assets and total equity and have no material effect on our liquidity.

### *Privacy, Information Security and Healthcare Technology Laws*

We provide services that may be subject to various state, federal and foreign privacy laws and regulations, and, as a result of our recent acquisition of AdvancedMD, certain healthcare technology laws, including the Health Insurance Portability and Accountability Act of 1996, as amended ("HIPAA") and the Health Information Technology for Economic and Clinical Health Act. These laws and regulations also include the federal Gramm-Leach-Bliley Act of 1999, which applies to a broad range of financial institutions and to companies that provide services to financial institutions in the United States, including our gaming business, and the CCPA, which requires companies that process personal information of California residents to make new disclosures to consumers about their data collection and use, and will grant consumers specific access rights to their data. Outside the United States, these laws include, without limitation, the EU General Data Protection Regulation, Canada's Personal

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Information Protection and Electronic Documents Act, Hong Kong's Personal Data Privacy Ordinance (Cap. 486), the Taiwan Personal Data Protection Law, the Philippines' Data Privacy Act of 2012, and Australia's Federal Privacy Act of 1988. See Item 1A. Risk Factors - "Any new implementation of or changes made to laws, regulations, card network rules or other industry standards affecting our business in any of the geographic regions in which we operate may require significant development efforts or have an unfavorable effect on our financial results and our cash flows."

### *Anti-Money Laundering and Counter Terrorist Requirements*

In many countries, we are legally or contractually required to comply with anti-money laundering laws and regulations, such as, in the United States, the Bank Secrecy Act, as amended by the USA PATRIOT Act of 2001 (collectively, the "BSA"), and the BSA implementing regulations of the Financial Crimes Enforcement Network ("FinCEN"), a bureau of the U.S. Department of the Treasury. A variety of similar anti-money laundering requirements apply in other countries. In some countries, we are directly subject to these requirements; in other countries, we have contractually agreed to assist our sponsor banks with their obligation to comply with anti-money laundering requirements that apply to them. These laws typically require organizations to:

- establish and audit anti-money laundering programs;
- establish procedures for obtaining and verifying customer information;
- file reports on large cash transactions; and
- file suspicious activity reports if the financial institution believes a customer may be violating U.S. laws and regulations.

Regulations issued by the Office of Foreign Assets Control ("OFAC") of the U.S. Department of Treasury place prohibitions and restrictions on all U.S. citizens and entities, including the Company, with respect to transactions by U.S. persons with specified countries and individuals and entities identified on OFAC's Specially Designated Nationals list (for example, individuals and companies owned or controlled by, or acting for or on behalf of, countries subject to certain economic and trade sanctions, as well as terrorists, terrorist organizations and narcotics traffickers identified by OFAC under programs that are not country specific). Similar requirements apply to transactions and dealings with persons and entities specified in lists maintained in other countries. We have developed procedures and controls that are designed to monitor and address legal and regulatory requirements and developments and that allow our customers to protect against having direct business dealings with such prohibited countries, individuals or entities.

### *Escheat Laws*

We are subject to unclaimed or abandoned property state laws in the United States and in certain foreign countries that require us to transfer to certain government authorities the unclaimed property of others that we hold when that property has been unclaimed for a certain period of time. Moreover, we are subject to audit by state and foreign regulatory authorities with regard to our escheatment practices.

### *Foreign Laws and Regulations*

We are subject to foreign laws and regulations that affect the payment technology services industry in each of the foreign countries in which we operate. Some of these countries, such as the Russian Federation, India and the United Kingdom, have undergone significant political, economic and social change in recent years. In these countries, there is a greater risk of new, unforeseen changes that could result from, among other things, instability or changes in a country's or region's economic conditions; changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise; increased difficulty of conducting business in a country or region due to actual or potential political or military conflict; or action by the European Union or the United States, Canada or other governments that may restrict our ability to transact business in a foreign country or with certain foreign individuals or entities, such as sanctions by or against the Russian Federation.

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*Debt Collection and Credit Reporting Laws*

Portions of our business may be subject to the Fair Debt Collection Practices Act, the Fair Credit Reporting Act and similar state laws. These debt collection laws are designed to eliminate abusive, deceptive and unfair debt collection practices and may require licensing at the state level. The Fair Credit Reporting Act regulates the use and reporting of consumer credit information and also imposes disclosure requirements on entities that take adverse action based on information obtained from credit reporting agencies.

**Where to Find More Information**

We file annual and quarterly reports, proxy statements and other information with the U.S. Securities and Exchange Commission ("SEC"). You may read and print materials that we have filed with the SEC from its website at [www.sec.gov](http://www.sec.gov). In addition, certain of our SEC filings, including our annual reports on Form 10-K, our transition report on Form 10-K for the 2016 fiscal transition period, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to them can be viewed and printed, free of charge, from the investor relations section of our website at [www.globalpaymentsinc.com](http://www.globalpaymentsinc.com). Certain materials relating to our corporate governance, including our codes of ethics applicable to our directors, senior financial officers and other employees, are also available in the investor relations section of our website. Copies of our filings, specified exhibits and corporate governance materials are also available, free of charge, by writing us using the address on the cover of this Annual Report on Form 10-K. You may also telephone our investor relations office directly at (770) 829-8478. We are not including the information on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K.

## ITEM 1A - RISK FACTORS

*An investment in our common stock involves a high degree of risk. You should consider carefully the following risks and other information contained in this Annual Report on Form 10-K and other SEC filings before you decide whether to buy our common stock. The risks identified below are not all encompassing but should be considered in establishing an opinion of our future operations. If any of the events contemplated by the following discussion of risks should occur, our business, results of operations, financial condition and cash flows could suffer significantly. As a result, the market price of our common stock could decline and you may lose all or part of your investment in our common stock.*

### **Risks Related to Our Business and Operations**

***Our ability to protect our systems and data from continually evolving cybersecurity risks or other technological risks could affect our reputation among our customers and cardholders, adversely affect our continued card network registration or membership and financial institution sponsorship, and may expose us to penalties, fines, liabilities and legal claims.***

In order to provide our services, we process and store sensitive business information and personal information about our merchants, merchants' customers, merchants' employees, ISOs, vendors, partners and other parties. This information may include credit and debit card numbers, bank account numbers, social security numbers, driver's license numbers, names and addresses, and other types of personal information or sensitive business information. Some of this information is also processed and stored by our third-party service providers and other agents (which we refer to collectively as our "associated third parties") as well as merchants and ISOs. We have responsibility to the card networks, their member financial institutions, and in some instances, our merchants, ISOs and/or individuals, for our failure or the failure of our associated third parties or merchants (as applicable) to protect this information.

We are a regular target of malicious third-party attempts to identify and exploit system vulnerabilities, and/or penetrate or bypass our security measures, in order to gain unauthorized access to our networks and systems or those of our associated third parties. Such access could lead to the compromise of sensitive, business, personal or confidential information. As a result, we follow a defense-in-depth model for cybersecurity, meaning we proactively seek to employ multiple methods at different layers to defend our systems against intrusion and attack and to protect the data we collect. However, we cannot be certain that these measures will be successful and will be sufficient to counter all current and emerging technology threats.

Our computer systems and/or our associated third parties' computer systems could be subject to penetration, and our data protection measures may not prevent unauthorized access. The techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and are often difficult to detect and continually evolve and become more sophisticated. Threats to our systems and our associated third parties' systems can derive from human error, fraud or malice on the part of employees or third parties, including state-sponsored organizations with significant financial and technological resources. Computer viruses and other malware can be distributed and could infiltrate our systems or those of our associated third parties. In addition, denial of service or other attacks could be launched against us for a variety of purposes, including to interfere with our services or create a diversion for other malicious activities. Our defensive measures may not prevent downtime, unauthorized access or use of sensitive data. While we maintain first- and third-party insurance coverage that may cover certain aspects of cyber risks, such insurance coverage may be insufficient to cover all losses. Companies we acquire may require post-closing implementation of additional cyber defense methods to align with our standards and, as a result, there may be a period of increased risk between the closing of an acquisition and the completion of such implementation. Further, our third-party relationships are subject to our vendor management program and governed by written contracts; however, we do not control the actions of our associated third parties, and any problems experienced by these third parties, including those resulting from breakdowns or other disruptions in the services provided by such parties or cyberattacks and security breaches, could adversely affect our ability to service our merchant customers or otherwise conduct our business.

We also could be subject to liability for claims relating to misuse of personal information in violation of contractual obligations or data privacy laws. Regulatory authorities around the world are considering or have enacted a number of legislative and regulatory proposals concerning data protection and use, and the interpretation and application of consumer and data protection laws in the United States, Europe, the Asia-Pacific region and elsewhere is increasingly uncertain. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices or operations model, which could result in potential liability for fines, damages or a need to incur substantial costs to modify our operations. In addition, we cannot provide assurance that the contractual requirements related to use, security and privacy that we impose on our associated third parties who have access to this data will be followed or will be adequate to prevent the misuse of this data. Any misuse or compromise of personal information or failure to adequately enforce these contractual requirements could result in liability, protracted and costly litigation and, with respect to misuse of personal information of our merchants and consumers, lost revenue and reputational harm. In addition, as the regulatory environment related to information security, data collection and use and privacy becomes increasingly

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rigorous, with new and constantly changing requirements applicable to our business, compliance with those requirements could also result in additional costs.

Any type of security breach, attack or misuse of data described above or otherwise, whether experienced by us or an associated third party, could harm our reputation and deter existing and prospective customers from using our services or from making electronic payments generally, increase our operating expenses in order to contain and remediate the incident, expose us to unanticipated or uninsured liability, disrupt our operations (including potential service interruptions), distract our management, increase our risk of litigation or regulatory scrutiny, result in the imposition of penalties and fines under state, federal and foreign laws or by the card networks, and adversely affect our continued card network registration or membership and financial institution sponsorship. Our removal from networks' lists of Payment Card Industry Data Security Standard compliant service providers could mean that existing merchant customers, sales partners or other third parties may cease using or referring our services. Also, prospective merchant customers, sales partners or other third parties may choose to terminate negotiations with us, or delay or choose not to consider us for their processing needs. In addition, the card networks could refuse to allow us to process through their networks.

***The payment technology services industry is highly competitive, and some of our competitors are larger and have greater financial and operational resources than we do, which may give them an advantage with respect to the pricing of services offered to customers and the ability to develop new technologies.***

We operate in the payment technology services industry, which is highly competitive. In this industry, our primary competitors include other independent payment processors, as well as financial institutions, ISOs and, potentially, card networks. Many of our competitors are companies that are larger than we are, with greater financial and operational resources than we have. Our competitors that are financial institutions or subsidiaries of financial institutions do not incur the costs associated with being sponsored by a direct member for participation in the card networks, as we do in certain jurisdictions, and may be able to settle transactions more quickly for merchants than we can. These financial institutions may also provide payment processing services to merchants at a loss in order to generate banking fees from the merchants. It is also possible that larger financial institutions could decide to perform in-house some or all of the services that we currently provide or could provide. These attributes may provide them with a competitive advantage in the market.

Furthermore, we are facing increasing competition from nontraditional competitors, including new entrant technology companies who offer certain innovations in payment methods. Some of these competitors utilize proprietary software and service solutions. Some of these nontraditional competitors have significant financial resources and robust networks and are highly regarded by consumers. In addition, some nontraditional competitors, such as private companies or startup companies, may be less risk averse than we are and, therefore, may be able to respond more quickly to market demands. If these nontraditional competitors gain a greater share of total electronic payments transactions, it could have a material adverse effect on our business, financial condition, results of operations and cash flows. These competitors may compete in ways that minimize or remove the role of traditional card networks, processors and/or point-of-sale software in the electronic payments process.

***In order to remain competitive and to continue to increase our revenues and earnings, we must continually and quickly update our services, a process that could result in higher costs and the loss of revenues, earnings and customers if the new services do not perform as intended or are not accepted in the marketplace.***

The payment technology services industry in which we compete are characterized by rapid technological change, new product introductions, evolving industry standards and changing customer needs. In order to remain competitive, we are continually involved in a number of projects, including the development of a new authorization platform, mobile payment applications, ecommerce services and other new offerings emerging in the payment technology services industry. These projects carry the risks associated with any development effort, including cost overruns, delays in delivery and performance problems. In the payment technology services markets, these risks are even more acute. Any delay in the delivery of new services or the failure to differentiate our services could render our services less desirable to customers, or possibly even obsolete. Furthermore, as the market for alternative payment processing services evolves, it may develop too rapidly or not rapidly enough for us to recover the costs we have incurred in developing new services targeted at this market.

In addition, the services we deliver to the payment technology services markets are designed to process very complex transactions and deliver reports and other information on those transactions, all at very high volumes and processing speeds. Any failure to deliver an effective and secure product or any performance issue that arises with a new product or service could result in significant processing or reporting errors or other losses. As a result of these factors, our development efforts could result in higher costs that could reduce our earnings in addition to a loss of revenues and earnings if promised new services are not delivered



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timely to our customers or do not perform as anticipated. We rely in part on third parties, including some of our competitors and potential competitors, for the development of and access to new technologies.

***Our revenues from the sale of services to merchants that accept Visa cards and Mastercard cards are dependent upon our continued Visa and Mastercard registrations, financial institution sponsorship and, in some cases, continued membership in certain card networks.***

In order to provide our Visa and Mastercard transaction processing services, we must be either a direct member or be registered as a merchant processor or service provider of Visa and Mastercard, respectively. Registration as a merchant processor or service provider is dependent upon our being sponsored by Members of each organization in certain jurisdictions. If our sponsor financial institution in any market should stop providing sponsorship for us, we would need to find another financial institution to provide those services or we would need to attain direct membership with the card networks, either of which could prove to be difficult and expensive. If we are unable to find a replacement financial institution to provide sponsorship or attain direct membership, we may no longer be able to provide processing services to affected customers and potential customers in that market, which would negatively affect our revenues, earnings and cash flows. Furthermore, some agreements with our financial institution sponsors give them substantial discretion in approving certain aspects of our business practices, including our solicitation, application and qualification procedures for merchants and the terms of our agreements with merchants. Our sponsors' discretionary actions under these agreements could have a material adverse effect on our business, financial condition, results of operations and cash flows. In connection with direct membership, the rules and regulations of various card associations and networks prescribe certain capital requirements. Any increase in the capital level required would limit our use of capital for other purposes.

***We rely on various financial institutions to provide clearing services in connection with our settlement activities. If we are unable to maintain clearing services with these financial institutions and are unable to find a replacement, our business may be adversely affected.***

We rely on various financial institutions to provide clearing services in connection with our settlement activities. If such financial institutions should stop providing clearing services, we must find other financial institutions to provide those services. If we are unable to find a replacement financial institution we may no longer be able to provide processing services to certain customers, which could negatively affect our revenues, earnings and cash flows.

***If we fail to comply with the applicable requirements of the card networks, they could seek to fine us, suspend us or terminate our registrations or membership. If we incur fines or penalties for which our merchants or ISOs are responsible that we cannot collect or pursue collection from them, we may have to bear the cost of such fines or penalties.***

We are subject to card association and network rules that could subject us to a variety of fines or penalties that may be levied by the card networks for certain acts or omissions. The rules of the card networks are set by their boards, which may be influenced by card issuers, and some of those issuers are our competitors with respect to these processing services. Many banks directly or indirectly sell processing services to merchants in direct competition with us. These banks could attempt, by virtue of their influence on the networks, to alter the networks' rules or policies to the detriment of non-members, including us in certain jurisdictions. The termination of our registrations or our membership or our status as a service provider or a merchant processor, or any changes in card association or other network rules or standards, including interpretation and implementation of the rules or standards, that increase the cost of doing business or limit our ability to provide transaction processing services to our customers, could have a material adverse effect on our business, financial condition, results of operations and cash flows. If a merchant or an ISO fails to comply with the applicable requirements of the card associations and networks, we or the merchant or ISO could be subject to a variety of fines or penalties that may be levied by the card associations or networks. If we cannot collect or pursue collection of such amounts from the applicable merchant or ISO, we may have to bear the cost of such fines or penalties, resulting in lower earnings for us. The termination of our registration, or any changes in the Visa or Mastercard rules that would impair our registration, could require us to stop providing Visa and Mastercard payment processing services, which would make it impossible for us to conduct our business on its current scale.

***Our systems or our third-party providers' systems may fail, which could interrupt our service, cause us to lose business, increase our costs and expose us to liability.***

We depend on the efficient and uninterrupted operation of our computer systems, software, data centers and telecommunications networks, as well as the systems and services of third parties. A system outage or data loss could have a material adverse effect on our business, financial condition, results of operations and cash flows. Not only would we suffer damage to our reputation in the event of a system outage or data loss, but we may also be liable to third parties. Our systems and operations or those of our third-party providers could be exposed to damage or interruption from, among other things, fire, natural disaster, power loss, telecommunications failure, terrorist acts, war, unauthorized entry, human error, and computer viruses or other defects.

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Defects in our systems or those of third parties, errors or delays in the processing of payment transactions, telecommunications failures, or other difficulties (including those related to system relocation) could result in loss of revenue, loss of customers, loss of merchant and cardholder data, harm to our business or reputation, exposure to fraud losses or other liabilities, negative publicity, additional operating and development costs, fines and other sanctions imposed by card networks, and/or diversion of technical and other resources.

***We may experience software defects, undetected errors, and development delays, which could damage customer relations, decrease our potential profitability and expose us to liability.***

Our services are based on software and computing systems that often encounter development delays, and the underlying software may contain undetected errors, viruses or defects. Defects in our software services and errors or delays in our processing of electronic transactions could result in additional development costs, diversion of technical and other resources from our other development efforts, loss of credibility with current or potential customers, harm to our reputation and exposure to liability claims.

In addition, we rely on technologies and software supplied by third parties that may also contain undetected errors, viruses or defects that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Increased merchant, referral partner or ISO attrition could cause our financial results to decline.***

We experience attrition in merchant credit and debit card processing volume resulting from several factors, including business closures, transfers of merchants' accounts to our competitors, unsuccessful contract renewal negotiations and account closures that we initiate for various reasons, such as heightened credit risks or contract breaches by merchants. If an ISO partner switches to another transaction processor, terminates our services, internalizes payment processing functions that we perform, merges with or is acquired by one of our competitors, or shuts down or becomes insolvent, we may no longer receive new merchant referrals from the ISO, and we risk losing existing merchants that were originally enrolled by the ISO. We cannot predict the level of attrition in the future and it could increase. Our referral partners are a significant source of new business. Higher than expected attrition could negatively affect our results, which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Our future growth depends in part on the continued expansion within markets in which we already operate, the emergence of new markets, and the continued availability of alliance relationships and strategic acquisition opportunities.***

Our future growth and profitability depend upon our continued expansion within the markets in which we currently operate, the further expansion of these markets, the emergence of other markets for payment technology and software solutions and our ability to penetrate these markets. As part of our strategy to achieve this expansion, we look for acquisition opportunities, investments and alliance relationships with other businesses that will allow us to increase our market penetration, technological capabilities, product offerings and distribution capabilities. We may not be able to successfully identify suitable acquisition, investment and alliance candidates in the future, and if we do, they may not provide us with the value and benefits we anticipate.

Our expansion into new markets is also dependent upon our ability to apply our existing technology or to develop new applications to meet the particular service needs of each new market. We may not have adequate financial or technological resources to develop effective and secure services and distribution channels that will satisfy the demands of these new markets. If we fail to expand into new and existing markets for payment technology and software solutions, we may not be able to continue to grow our revenues and earnings.

***There may be a decline in the use of cards and other electronic payments as a payment mechanism for consumers or adverse developments with respect to the card industry in general.***

If consumers do not continue to use credit or debit cards or other electronic payment methods as a payment mechanism for their transactions or if there is a change in the mix of payments between cash, checks, credit cards, and debit cards, which is adverse to us, it could have a material adverse effect on our business, financial condition, results of operations and cash flows. Consumer credit risk may make it more difficult or expensive for consumers to gain access to credit facilities such as credit cards. Regulatory changes may result in financial institutions seeking to charge their customers additional fees for use of credit or debit cards. Such fees may result in decreased use of credit or debit cards by cardholders. In each case, our business, financial condition, results of operations and cash flows may be adversely affected. We believe future growth in the use of credit and debit cards and other electronic payments will be driven by the cost, ease-of-use, and quality of services offered to consumers and businesses. In order to consistently increase and maintain our profitability, consumers and businesses must continue to use electronic payment methods that we process, including credit and debit cards.

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***We incur chargeback losses when our merchants refuse or cannot reimburse us for chargebacks resolved in favor of their customers. Any increase in chargebacks not paid by our merchants may adversely affect our business, financial condition, results of operations and cash flows.***

In the event a dispute between a cardholder and a merchant is not resolved in favor of the merchant, the transaction is normally charged back to the merchant and the purchase price is credited or otherwise refunded to the cardholder. If we are unable to collect such amounts from the merchant's account or reserve account (if applicable), or if the merchant refuses or is unable, due to closure, bankruptcy or other reasons, to reimburse us for a chargeback, we bear the loss for the amount of the refund paid to the cardholder. The risk of chargebacks is typically greater with those merchants that promise future delivery of goods and services rather than delivering goods or rendering services at the time of payment. We may experience significant losses from chargebacks in the future. Any increase in chargebacks not paid by our merchants could have a material adverse effect on our business, financial condition, results of operations and cash flows. We have policies to manage merchant-related credit risk and often mitigate such risk by requiring collateral and monitoring transaction activity. Notwithstanding our programs and policies for managing credit risk, it is possible that a default on such obligations by one or more of our merchants could have a material adverse effect on our business.

***Fraud by merchants or others could have an adverse effect on our financial condition, results of operations and cash flows.***

We have potential liability for fraudulent electronic payment transactions or credits initiated by merchants or others. Examples of merchant fraud include when a merchant or other party knowingly uses a stolen or counterfeit credit or debit card, card number, or other credentials to record a false sales or credit transaction, processes an invalid card, or intentionally fails to deliver the merchandise or services sold in an otherwise valid transaction. Criminals are using increasingly sophisticated methods to engage in illegal activities such as counterfeiting and fraud. Failure to effectively manage risk and prevent fraud could increase our chargeback losses or cause us to incur other liabilities. It is possible that incidents of fraud could increase in the future. Increases in chargebacks or other liabilities could have a material adverse effect on our financial condition, results of operations and cash flows.

***We are subject to economic and political risk, the business cycles and credit risk of our customers and the overall level of consumer, business and government spending, which could negatively affect our business, financial condition, results of operations and cash flows.***

The global payment technology services industry depends heavily on the overall level of consumer, business and government spending. We are exposed to general economic conditions that affect consumer confidence, consumer spending, consumer discretionary income and changes in consumer purchasing habits. A sustained deterioration in general economic conditions in the markets in which we operate or increases in interest rates may adversely affect our financial performance by reducing the number or average purchase amount of transactions made using electronic payments. A reduction in the amount of consumer spending could result in a decrease in our revenues and profits. If our merchants make fewer sales to consumers using electronic payments or consumers using electronic payments spend less per transaction, we will have fewer transactions to process or lower transaction amounts, each of which would contribute to lower revenues.

A downturn in the economy could force retailers to close, resulting in exposure to potential credit losses and future transaction declines. Furthermore, credit card issuers may reduce credit limits and be more selective with respect to whom they issue credit cards. We also have a certain amount of fixed and other costs, including rent, debt service, and salaries, which could limit our ability to quickly adjust costs and respond to changes in our business and the economy. Changes in economic conditions could also adversely affect our future revenues and profits and cause a materially adverse effect on our business, financial condition, results of operations and cash flows.

In addition, a recessionary economic environment could affect our merchants through a higher rate of bankruptcy filings, resulting in lower revenues and earnings for us. Our associated third parties are also liable for any fines or penalties that may be assessed by any card networks. In the event that we are not able to collect such amounts from our merchants or the associated third parties, due to fraud, breach of contract, insolvency, bankruptcy or any other reason, we may be liable for any such charges.

Reject losses arise from the fact that, in most markets, we collect our fees from our merchants on the first day after the monthly billing period. This results in the build-up of a substantial receivable from our customers. If a merchant has gone out of business during the billing period, we may be unable to collect such fees, which could negatively affect our business, financial condition, results of operations and cash flows.

***Increases in card network fees may result in the loss of customers and/or a reduction in our earnings.***

From time-to-time, the card networks, including Visa and Mastercard, increase the fees that they charge processors. We could attempt to pass these increases along to our merchant customers, but this strategy might result in the loss of customers to our competitors who may not pass along the increases, thereby reducing our revenues and earnings. If competitive practices prevent us from passing along the higher fees to our merchant customers in the future, we may have to absorb all or a portion of such increases, thereby increase our operating costs and reducing our earnings.

***Any new implementation of or changes made to laws, regulations, card network rules or other industry standards affecting our business in any of the geographic regions in which we operate may require significant development efforts or have an unfavorable effect on our financial results and our cash flows.***

Our business is affected by laws and regulations and examinations that affect us and our industry in the countries in which we operate. Regulation and proposed regulation of the payments industry has increased significantly in recent years. Failure to comply with regulations or guidelines may result in the suspension or revocation of a license or registration, the limitation, suspension or termination of service, and the imposition of civil and criminal penalties, including fines, or may cause customers or potential customers to be reluctant to do business with us, any of which could have an adverse effect on our financial condition. For example, we are subject to the card network rules of Visa, Mastercard and other card networks, Interac, and various debit networks; applicable privacy and information security regulations in the regions where we operate and of the card networks; the Payment Services Directive in Europe; The Code of Conduct for the Credit and Debit Card Industry in Canada (issued by Canada's Department of Finance); the Housing Assistance Tax Act of 2008 in the United States, which requires information returns to be made for each calendar year by merchant acquiring entities; and a myriad of U.S. federal and state consumer protection laws and state escheat regulations. We are also subject to examination by the FFIEC as a result of our provision of data processing services to financial institutions. Additionally, we manage a membership discount program that is billed to customers annually on a recurring basis. Change in regulation of this type of billing could negatively affect our revenue.

Interchange fees (which are retained by the card issuer in connection with transactions) are subject to intense legal, regulatory and legislative scrutiny worldwide. For instance, the Dodd-Frank Act, which was signed into law in July 2010, significantly changed the U.S. financial regulatory system. Changes affecting the payment processing industry include restricting amounts of debit card fees that certain issuing institutions can charge merchants and allowing merchants to set minimum amounts for the acceptance of credit cards and to offer discounts for different payment methods. These types of restrictions could negatively affect the number of debit transactions, which would adversely affect our business. The Dodd-Frank Act also created the CFPB, which has assumed responsibility for enforcing federal consumer protection laws, and the Financial Stability Oversight Council, which has the authority to determine whether any nonbank financial company, such as us, should be supervised by the Board of Governors of the Federal Reserve System (the "Federal Reserve") on the ground that it is "systemically important" to the U.S. financial system. Any such designation would result in increased regulatory burdens on our business, which increases our risk profile and may have an adverse effect on our business, financial condition, results of operations and cash flows.

All persons offering or providing financial services or products to consumers, directly or indirectly, can be subject to prohibitions against unfair, deceptive, or abusive acts or practices ("UDAAP") under the Dodd-Frank Act. The CFPB has enforcement authority to prevent an entity that offers or provides consumer financial services or products or a service provider from committing or engaging in UDAAP, including the ability to engage in joint investigations with other agencies, issue subpoenas and civil investigative demands, conduct hearings and adjudication proceedings, commence a civil action, grant relief (e.g., limit activities or functions; rescission of contracts), and refer matters for criminal proceedings. More generally, all persons engaged in commerce, including, but not limited to, us and our merchant and financial institution customers, are also subject to Section 5 of the Federal Trade Commission ("FTC") Act prohibiting unfair or deceptive acts or practices ("UDAP"). In addition, there are other laws, rules and or regulations, including the Telemarketing Sales Act, that may directly impact the activities of our merchant customers and in some cases may subject us, as the merchant's payment processor, to investigations, fees, fines and disgorgement of funds in the event we are deemed to have aided and abetted or otherwise provided the means and instrumentalities to facilitate the illegal activities of the merchant through our payment processing services. Various federal and state regulatory enforcement agencies, including the FTC, the CFPB and the states' attorneys general have the authority to take action against nonbanks that engage in UDAP or violate other laws, rules or regulations and, to the extent we are processing payments for a merchant that may be in violation of these laws, rules or regulations, we may be subject to enforcement actions and as a result may incur losses and liabilities.

In many countries, we are legally or contractually required to comply with the anti-money laundering laws and regulations, such as, in the United States, the BSA, as amended by the USA PATRIOT Act, and similar laws of other countries, which require that customer identifying information be obtained and verified. In some countries, we are directly subject to these requirements; in other countries, we have contractually agreed to assist our sponsor financial institutions with their obligation to comply with

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anti-money laundering requirements that apply to them. In addition, we and our sponsor financial institutions are subject to the laws and regulations enforced by OFAC, which prohibit U.S. persons from engaging in transactions with certain prohibited persons or entities. Similar requirements apply in other countries. Our failure to comply with any of these contractual requirements or laws could adversely affect our business, financial credit results of operations and cash flows.

We are also subject to a variety of foreign and domestic laws, and their implementing regulations, which establish requirements for the collection, processing, storage, use and disclosure of personal information, require notice to individuals of privacy practices, and provide individuals with certain rights to prevent use and disclosure of protected information. Outside the United States, these laws include, without limitation, the EU General Data Protection Regulation. As a result of our acquisition of AdvancedMD, we are also subject to laws and regulations affecting the healthcare industry, including but not limited to false or fraudulent claim laws; HIPAA and other health privacy regulations; prescribing laws; electronic health record laws; claims and transmission laws; and prompt pay laws. Under HIPAA, covered entities and business associates must establish administrative, physical and technical safeguards to protect the confidentiality, integrity and availability of electronic protected health information maintained or transmitted by them or by others on their behalf. Compliance with these laws and regulations can be costly and time consuming, adding a layer of complexity to business practices and innovation. As with other regulatory schemes, our failure to comply could result in public or private enforcement action and accompanying litigation costs, losses, fines and penalties.

Portions of our business may be subject to the Fair Debt Collection Practices Act, the Fair Credit Reporting Act and similar state laws. These debt collection laws are designed to eliminate abusive, deceptive and unfair debt collection practices and may require licensing at the state level. The Fair Credit Reporting Act regulates the use and reporting of consumer credit information and also imposes disclosure requirements on entities that take adverse action based on information obtained from credit reporting agencies. If we fail to comply with any of these laws, to the extent they are applicable to us, we may be subject to fines, penalties and litigation.

Changes to legal rules and regulations, or interpretation or enforcement thereof, even if not directed at us, may require significant efforts to change our systems and services and may require changes to how we price our services to customers, adversely affecting our business. Even an inadvertent failure to comply with laws and regulations, as well as rapidly evolving social expectations of corporate fairness, could damage our business or our reputation. Furthermore, we are subject to tax laws in each jurisdiction where we conduct business. Changes in such laws or their interpretations could decrease the value of revenues we receive, the value of tax losses and tax credit carry forwards recorded on our balance sheet and have a material adverse effect on our financial condition, results of operations and cash flows.

***We are subject to risks associated with changes in interest rates or currency exchange rates, which could adversely affect our business, financial position, results of operations and cash flows, and we may not effectively hedge against these risks.***

A substantial portion of our indebtedness bears interest at a variable rate, and we may incur additional variable-rate indebtedness in the future. Increases in interest rates will reduce our operating cash flows and could hinder our ability to fund our operations, capital expenditures, acquisitions, share repurchases or dividends.

We are also subject to risks related to the changes in currency exchange rates as a result of our investments in foreign operations and from revenues generated in currencies other than the U.S. dollar. Revenues and profit generated by international operations will increase or decrease compared to prior periods as a result of changes in currency exchange rates. Volatility in currency exchange rates has affected and may continue to affect our financial results.

In certain of the jurisdictions in which we operate, we may become subject to exchange control regulations that might restrict or prohibit the conversion of our foreign currencies into U.S. dollars or limit our ability to freely move currency in or out of particular jurisdictions. The occurrence of any of these factors could decrease the value of revenues we receive from our international operations and have a material adverse effect on our business.

We may seek to reduce our exposure to fluctuations in interest rates or currency exchange rates through the use of hedging arrangements. To the extent that we hedge our interest rate or currency exchange rate exposures, we forgo the benefits we would otherwise experience if interest rates or currency exchange rates were to change in our favor. Developing an effective strategy for dealing with movements in interest rates and currency exchange rates is complex, and no strategy can completely insulate us from risks associated with such fluctuations. In addition, a counterparty to the arrangement could default on its obligation, thereby exposing us to credit risk. We may have to repay certain costs, such as transaction fees or breakage costs, if we terminate these arrangements.

***Changes in the method for determining LIBOR and the potential replacement of the LIBOR benchmark interest rate could adversely affect our business, financial condition, results of operations and cash flows.***

A substantial portion of our indebtedness bears interest at a variable rate based on LIBOR. Furthermore, we have entered into hedging instruments to manage our exposure to fluctuations in the LIBOR benchmark interest rate. In July 2017, the United Kingdom's Financial Conduct Authority ("FCA"), a regulator of financial services firms and financial markets in the United Kingdom, stated that they will plan for a phase out of regulatory oversight of LIBOR interest rates indices. The FCA has indicated they will support the LIBOR indices through 2021, to allow for an orderly transition to an alternative reference rate. The Alternative Reference Rates Committee has proposed the Secured Overnight Financing Rate ("SOFR") as its recommended alternative to LIBOR, and the Federal Reserve Bank of New York began publishing SOFR rates in April 2018. SOFR is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U.S. Treasury securities.

We are evaluating the potential impact of the eventual replacement of the LIBOR benchmark interest rate, including the possibility of SOFR as the dominant replacement. The market transition away from LIBOR and towards SOFR is expected to be gradual and complicated, including the development of term and credit adjustments to accommodate differences between LIBOR and SOFR. Introduction of an alternative rate also may introduce additional basis risk for market participants as an alternative index is utilized along with LIBOR. There can be no guarantee that SOFR will become widely used and that alternatives may or may not be developed with additional complications. We are not able to predict whether LIBOR will cease to be available after 2021, whether SOFR will become a widely accepted benchmark in place of LIBOR, or what the impact of such a possible transition to SOFR may be on our business, financial condition, and results of operations.

***We conduct a portion of our business in various foreign countries where the risk of continued political, economic and regulatory change that could affect our operating results is greater than in the United States.***

We expect to continue to expand our operations in North America, Europe and the Asia-Pacific region. Some of the countries in which we operate, such as the Russian Federation, India and the United Kingdom, have undergone significant political, economic and social change in recent years, and the risk of new, unforeseen changes in these countries remains greater than in the United States. Our business, growth, financial condition or results of operations could be materially adversely affected by instability or changes in a country's or region's economic conditions; inflation; changes in laws or regulations or in the interpretation of existing laws or regulations, whether caused by a change in government or otherwise; increased difficulty of conducting business in a country or region due to actual or potential political or military conflict; or action by the European Union or the United States, Canada or other governments that may restrict our ability to transact business in a foreign country or with certain foreign individuals or entities, such as sanctions by or against the Russian Federation. A possible slowdown in global trade caused by increasing tariffs or other restrictions could decrease consumer or corporate confidence and reduce consumer, government and corporate spending in countries outside the United States, which could adversely affect our foreign operations.

In addition, maintenance of certain types of data by electronic means and telecommunications is subject to specific regulation in many countries. Changes in these regulations, such as taxation or limitations on transfers of data between countries or the type of permission that must be obtained in conjunction with the use of such data, could have a material adverse effect on our business, growth, financial condition, results of operations or cash flows.

On June 23, 2016, the United Kingdom held a referendum in which voters approved an exit from the European Union, commonly referred to as "Brexit," and on March 29, 2017, notified the European Union that it intended to exit as provided in Article 50 of the Treaty on European Union. In March 2018, the parties agreed to a transition period of 21 months - from March 29, 2019 until the end of 2020 - before the United Kingdom leaves the European Union completely, assuming approval of the negotiated withdrawal agreement. The terms of the withdrawal are subject to ongoing negotiation that has created uncertainty about the future relationship between the United Kingdom and the European Union.

Brexit has caused, and may continue to cause, economic uncertainty, including volatility in global stock markets and currency exchange rate fluctuations, which may adversely affect the profitability of our U.K. operations. In addition, Brexit could lead to increased regulatory complexities, including, without limitation, regulation relating to data security, privacy and taxation. With a range of outcomes still possible, the full effect of Brexit is uncertain and depends on any agreements the United Kingdom may make to retain access to European Union markets. Consequently, no assurance can be given about the effect of the outcome on our U.K. business and its financial conditions, results of operations and cash flows may be adversely affected.



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***The integration and conversion of our acquired operations or other future acquisitions, if any, could result in increased operating costs if the anticipated synergies of operating these businesses as one are not achieved, a loss of strategic opportunities if management is distracted by the integration process, and a loss of customers if our service levels drop during or following the integration process.***

The acquisition, integration, and conversion of businesses (such as, but not limited to, the recent acquisitions of AdvancedMD and SICOM) and the formation or operation of alliances, such as joint ventures and other partnering arrangements involve a number of risks. Core risks are in the area of valuation (negotiating a fair price for the business based on inherently limited diligence) and integration and conversion (managing the complex process of integrating the acquired company's people, services, information security and technology and other assets to realize the projected value of the acquired company and the synergies projected to be realized in connection with the acquisition). In addition, international acquisitions and alliances often involve additional or increased risks including, for example: managing geographically separated organizations, systems, and facilities; integrating personnel with diverse business backgrounds and organizational cultures; complying with foreign regulatory requirements; fluctuations in currency exchange rates; enforcement of intellectual property rights in some foreign countries; difficulty entering new foreign markets due to, among other things, customer acceptance and business knowledge of those new markets; and general economic and political conditions.

If the integration and conversion process does not proceed smoothly, the following factors, among others, could reduce our revenues and earnings, increase our operating costs, and result in us not achieving projected synergies:

- If we are unable to successfully integrate the benefits plans, duties and responsibilities, and other factors of interest to the management and employees of the acquired business, we could lose employees to our competitors in the region, which could significantly affect our ability to operate the business and complete the integration;
- If the integration process causes any delays with the delivery of our services, or the quality of those services, we could lose customers to our competitors, which would reduce our revenues and earnings;
- The acquisition may otherwise cause disruption to the acquired company's business and operations and relationships with financial institution sponsors, customers, merchants, employees and other partners;
- The acquisition and the related integration could divert the attention of our management from other strategic matters including possible acquisitions and alliances and planning for new product development or expansion into new markets for payments technology and software solutions; and
- The costs related to the integration of the acquired company's business and operations into ours may be greater than anticipated.

***The costs and effects of pending and future litigation, investigations or similar matters, or adverse facts and developments related thereto, could materially affect our business, financial position, results of operations and cash flows.***

We are from time-to-time involved in various litigation matters and governmental or regulatory investigations or similar matters arising out of our current or future business. Our insurance or indemnities may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Furthermore, there is no guarantee that we will be successful in defending ourselves in pending or future litigation or similar matters under various laws. Should the ultimate judgments or settlements in any pending litigation or future litigation or investigation significantly exceed our insurance coverage, they could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***We may not be able to successfully manage our intellectual property and may be subject to infringement claims.***

In our rapidly developing legal framework, we rely on a combination of contractual rights and copyright, trademark, patent and trade secret laws to establish and protect our proprietary technology. Despite our efforts to protect our intellectual property, third parties may infringe or misappropriate our intellectual property or may develop software or technology that competes with ours. Our competitors may independently develop similar technology, duplicate our services or design around our intellectual property rights. We may have to litigate to enforce and protect our intellectual property rights, trade secrets and know-how or to determine their scope, validity or enforceability, which is expensive and could cause a diversion of resources and may not prove to be successful. The loss of intellectual property protection or the inability to secure or enforce intellectual property protection could harm our business and ability to compete.

We may also be subject to costly litigation in the event our services and technology infringe upon another party's proprietary rights. Third parties may have, or may eventually be issued, patents that would be infringed by our services or technology. Any of these third parties could make a claim of infringement against us with respect to our services or technology. We may also be subject to claims by third parties for breach of copyright, trademark or license usage rights. Any such claims and any resulting



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litigation could subject us to significant liability for damages. An adverse determination in any litigation of this type could limit our ability to use the intellectual property subject to these claims and require us to design around a third party's patent, which may not be possible, or to license alternative technology from another party, which may be costly. In addition, litigation is often time consuming and expensive to defend and could result in the diversion of the time and attention of our management and employees.

***New or revised tax regulations, unfavorable resolution of tax contingencies or changes to enacted tax rates could adversely affect our tax expense.***

Changes in tax laws or their interpretations could result in changes to enacted tax rates and may require complex computations to be performed that were not previously required, significant judgments to be made in interpretation of the new or revised tax regulations and significant estimates in calculations, as well as the preparation and analysis of information not previously relevant or regularly produced. Future changes in enacted tax rates could negatively affect our results of operations.

The U.S. Tax Cuts and Jobs Act of 2017 (the "2017 U.S. Tax Act") significantly changed the taxation of U.S.-based multinational corporations. The U.S. Treasury Department, the U.S. Internal Revenue Service and state tax authorities have issued and are expected to continue to issue guidance on how the provisions of the 2017 U.S. Tax Act will be applied or otherwise administered. The legislation could be subject to potential amendments and technical corrections, any of which could materially change certain effects of the legislation. As regulations and guidance evolve with respect to the 2017 U.S. Tax Act, and as we gather information and perform more analysis, our results may differ from previous estimates and may materially affect our financial position.

Our tax returns and positions are subject to review and audit by federal, state, local and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively affecting our results of operations and cash flows. We have recognized estimated liabilities on the balance sheet for material known tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. These liabilities reflect what we believe to be reasonable assumptions as to the likely final resolution of each issue if raised by a taxing authority. While we believe that the liabilities are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be finally resolved at a financial amount no more than any related liability. An unfavorable resolution, therefore, could negatively affect our financial position, results of operations and cash flows in the current and/or future periods.

***We may become subject to additional U.S., state or foreign taxes that cannot be passed through to our customers, in which case our earnings could be adversely affected.***

We are or may be subject in various jurisdictions to certain taxes that are not derived based on earnings (e.g. sales, gross receipts, property, value-added and other business taxes). Application of these taxes is an emerging issue in our industry and the taxing authorities have not yet all adopted uniform regulations on certain of these topics. If we are required to pay such taxes and are not able to pass the tax cost through to our customers, our earnings and cash flows would be negatively affected.

We have structured our business in accordance with existing tax laws and interpretations of such laws which have been confirmed through either tax rulings or opinions obtained in various jurisdictions, including those related to value-added taxes in Europe. Changes in tax laws or their interpretations could decrease the value of revenues we receive and the amount of our cash flows and have a material adverse effect on our business.

#### **Risks Related to Our Organizational and Capital Structure**

***If we lose key personnel or are unable to attract additional qualified personnel as we grow, our business could be adversely affected.***

All of our businesses function at the intersection of rapidly changing technological, social, economic and regulatory developments that requires a wide ranging set of expertise and intellectual capital. To successfully compete and grow, we must recruit, develop and retain the necessary personnel who can provide the needed expertise across the entire spectrum of intellectual capital needs. In addition, we must develop our personnel to fulfill succession plans capable of maintaining continuity in the midst of the inevitable unpredictability of human capital. However, the market for qualified personnel is competitive, and we may not succeed in recruiting additional personnel or may fail to effectively replace current personnel who depart with qualified or effective successors. We cannot assure that key personnel, including executive officers, will continue to be employed or that we will be able to attract and retain qualified personnel in the future. Failure to retain or attract key personnel could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Our substantial indebtedness could adversely affect us and decrease our business flexibility.***

We have a significant amount of indebtedness. Our level of debt and the covenants to which we have agreed in connection with this and other financing transactions could, among other things, (i) require us to dedicate a larger portion of our cash flow from operations to servicing and repayment of the debt, (ii) reduce funds available for strategic initiatives and opportunities, working capital, capital investment and other general corporate needs and (iii) limit our ability to incur certain kinds or amounts of additional indebtedness, which could restrict our flexibility to react to changes in our business, our industry and economic conditions.

***The Company's debt agreements contain restrictions that may limit our flexibility in operating our business and our ability to return capital to our shareholders.***

Our Credit Facility contains various covenants that limit our ability and the ability of our subsidiaries to engage in specified types of transactions. These covenants limit our ability in certain circumstances to, among other things:

- incur additional indebtedness;
- create liens;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain lines of business;
- enter into certain transactions with affiliates; and,
- pay dividends and repurchase shares of our common stock.

Our Credit Facility also contains customary financial covenants based on our leverage ratio and our interest coverage ratio.

A breach of any of these covenants could result in a default under one or more of these agreements, including as a result of cross default provisions and, in the case of the Revolving Credit Facility (described in "Note 8—Long-Term Debt and Lines of Credit" in the notes to the accompanying consolidated financial statements), permit the lenders to cease making loans to us. Upon the occurrence of an event of default under our Credit Facility, the lenders could elect to declare all amounts outstanding under our Credit Facility to be immediately due and payable and terminate all commitments to extend further credit. If we are unable to repay those amounts, the lenders under our Credit Facility could accelerate the repayment of borrowings, and we may not have sufficient assets to repay our indebtedness.

***We may need to raise additional funds to finance our future capital needs, which may prevent us from growing our business.***

We may need to raise additional funds to finance our future capital needs, including developing new products and technologies or to fund future acquisitions or operating needs. If we raise additional funds through the sale of equity securities, these transactions may dilute the value of our outstanding common stock. We may also decide to issue securities, including debt securities that have rights, preferences and privileges senior to our common stock. We may be unable to raise additional funds on terms favorable to us or at all. If financing is not available or is not available on acceptable terms, we may be unable to fund our future needs. This may prevent us from increasing our market share, capitalizing on new business opportunities or remaining competitive in our industry.

***Our balance sheet includes significant amounts of goodwill and intangible assets. The impairment of a portion of these assets could negatively affect our business, financial condition and results of operations.***

As a result of our acquisitions, a significant portion of our total assets are intangible assets (including goodwill). Goodwill and intangible assets, net of amortization, together accounted for approximately 67% of our total assets as of December 31, 2018. We expect to engage in additional acquisitions, which may result in our recognition of additional intangible assets and goodwill. We evaluate on a regular basis whether all or a portion of our goodwill and other intangible assets may be impaired. Under current accounting rules, any determination that impairment has occurred would require us to record an impairment charge, which would negatively affect our earnings. An impairment of a portion of our goodwill or intangible assets could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able or permitted to, or we may decide not to, pay dividends or repurchase shares at a level anticipated by our shareholders, which could reduce shareholder returns.***

The extent to which we pay dividends on our common stock and repurchase our common stock in the future is at the discretion of our board of directors and will depend on, among other factors, our results of operations, financial condition, capital requirements, compliance with debt covenants and such other factors as our board of directors deems relevant. Our Credit Facility may prohibit

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us from (i) repurchasing an amount more than the greater of \$350 million or 3% of our total assets of our common stock in any year and (ii) paying quarterly dividends in excess of \$0.01 per share. No assurance can be given that we will be able to or will choose to pay any dividends or repurchase any shares in the foreseeable future.

***Our risk management policies and procedures may not be fully effective in mitigating our risk exposure in all market environments or against all types of risk.***

We operate in a rapidly changing industry. Accordingly, our risk management policies and procedures may not be fully effective to identify, monitor and manage our risks. If our policies and procedures are not fully effective or if we are not always successful in identifying and mitigating all risks to which we are or may be exposed, we may suffer uninsured liability, harm to our reputation or be subject to litigation or regulatory actions that could have a material adverse effect on our business, financial condition, results of operations and cash flows.

***Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have a material adverse effect on our business and stock price.***

Section 404 of the Sarbanes-Oxley Act requires us to evaluate annually the effectiveness of our internal control over financial reporting as of the end of each year and to include a management report assessing the effectiveness of our internal control over financial reporting in our annual report. If we fail to maintain the adequacy of our internal controls, including, but not limited to, preventing unauthorized access to our systems, we may not be able to ensure that we can conclude on an ongoing basis that we have effective internal control over financial reporting in accordance with Section 404 of the Sarbanes-Oxley Act. Furthermore, this assessment may be complicated by any acquisitions we may complete.

In certain markets, including, without limitation, China, the Republic of Malta and Spain, our member sponsors perform payment processing operations and related support services pursuant to services agreements. We expect that the member sponsors will continue to provide these services until such time as we may integrate these functions into our operations. Accordingly, we rely on our member sponsors to provide financial data, such as amounts billed to merchants, to assist us with compiling our accounting records. As such, our internal control over financial reporting could be materially affected, or is reasonably likely to be materially affected, by the internal control and procedures of our member sponsors in these markets.

While we continue to dedicate resources and management time to ensuring that we have effective internal control over financial reporting, failure to achieve and maintain an effective internal control environment could have a material adverse effect on the market's perception of our business and on our stock price.

***Anti-takeover provisions of our articles of incorporation and by-laws and provisions of Georgia law could delay or prevent a change in control that individual shareholders favor.***

Provisions of our articles of incorporation and by-laws and provisions of applicable Georgia law may discourage, delay or prevent a merger or other change in control that individual shareholders may consider favorable. The provisions of our articles and by-laws, among other things:

- divide our board of directors into three classes, with members of each class to be elected in staggered three-year terms;
- limit the right of shareholders to remove directors;
- regulate how shareholders may present proposals or nominate directors for election at annual meetings of shareholders; and
- authorize our board of directors to issue preferred shares in one or more series, without shareholder approval.

**ITEM 2 - PROPERTIES**

We have properties for operational, sales and administrative purposes. At December 31, 2018, we leased approximately 70 properties in the United States and approximately 120 properties in countries outside the United States. In addition, we owned four properties located outside the United States.

Our principal facilities in North America are located in Atlanta, Georgia; Dallas, Texas; Jeffersonville, Indiana; Lansdale, Pennsylvania, Las Vegas, Nevada; Oklahoma City, Oklahoma; Salt Lake City, Utah; and Toronto, Canada. Our principal facilities in Europe are located in Barcelona, Spain; Dublin, Ireland; Leicester, England; London, England; Moscow, Russia; and Prague, Czech Republic. Our principal facilities in the Asia-Pacific region are located in Brisbane, Australia; Hong Kong Special Administrative Region, China; and Manila, Philippines.

We believe that all of our properties will be suitable and adequate for our business as presently conducted.

**ITEM 3 - LEGAL PROCEEDINGS**

We are party to a number of claims and lawsuits incidental to our business. In our opinion, the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, are not expected to have a material adverse effect on our financial position, liquidity, results of operations or cash flows.

**Part II**

**ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock trades on the New York Stock Exchange under the ticker symbol "GPN." As of February 19, 2019, there were 2,116 shareholders of record.

**Equity Compensation Plan Information**

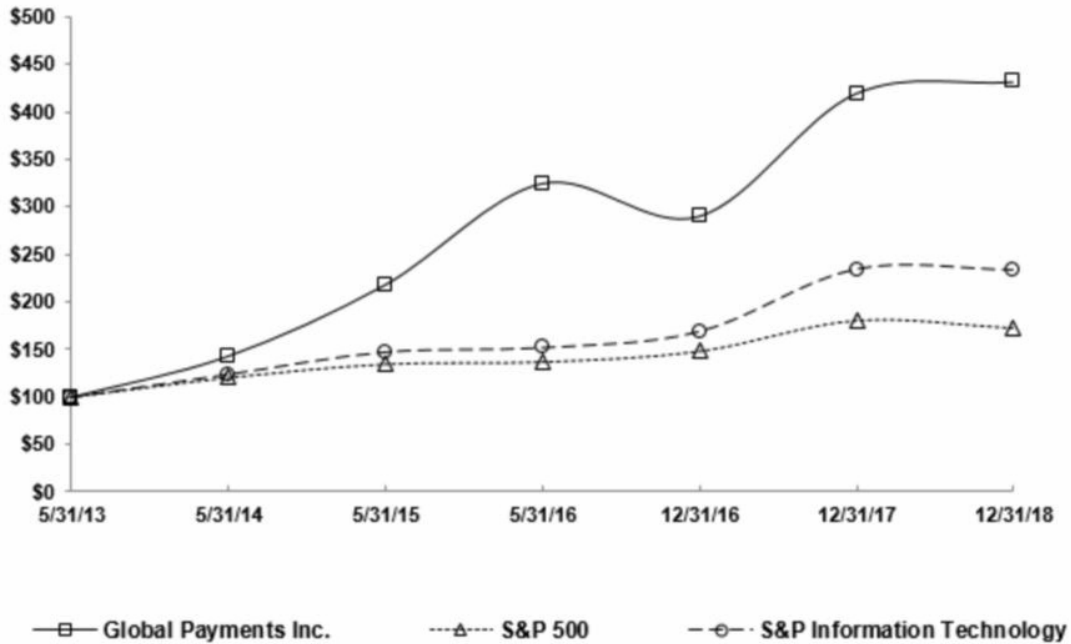
The information regarding our compensation plans under which equity securities are authorized for issuance is set forth in "Item 12—Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" of this Annual Report.

**Stock Performance Graph**

The following graph compares our cumulative shareholder returns with the Standard & Poor's Information Technology Index and the Standard & Poor's 500 Index for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the years ended May 31, 2016, 2015 and 2014. The line graph assumes the investment of \$100 in our common stock, the Standard & Poor's 500 Index and the Standard & Poor's Information Technology Index on May 31, 2013 and assumes reinvestment of all dividends.

**COMPARISON OF 5-YEAR CUMULATIVE TOTAL RETURN\***

Among Global Payments Inc., the S&P 500 Index and the S&P Information Technology Index



\*\$100 invested on May 31, 2013 in stock or index, including reinvestment of dividends.  
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	Global Payments	S&P 500 Index	S&P Information Technology Index
May 31, 2013	\$ 100.00	\$ 100.00	\$ 100.00
May 31, 2014	143.14	120.45	123.89
May 31, 2015	218.13	134.67	147.20
May 31, 2016	324.92	136.98	151.80
December 31, 2016	290.37	148.08	168.59
December 31, 2017	419.54	180.41	234.05
December 31, 2018	431.79	172.50	233.38

**Recent Sales of Unregistered Securities**

There were no unregistered sales of equity securities during the year ended December 31, 2018.

**Issuer Purchases of Equity Securities**

Information about the shares of our common stock that we repurchased during the quarter ended December 31, 2018 is set forth below:

<u>Period</u>	<u>Total Number of Shares Purchased <sup>(1)</sup></u>	<u>Approximate Average Price Paid per Share</u>	<u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs</u>	<u>Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs <sup>(2)</sup></u> <u>(in millions)</u>
October 2018	784	\$ 114.94	—	
November 2018	967	103.87	—	
December 2018	315,260	99.37	—	
Total	<u>317,011</u>	<u>\$ 99.43</u>	<u>—</u>	<u>\$ 387.8</u>

<sup>(1)</sup> Our board of directors has authorized us to repurchase shares of our common stock through any combination of Rule 10b5-1 open-market repurchase plans, accelerated share repurchase plans, discretionary open-market purchases or privately negotiated transactions.

During the quarter ended December 31, 2018, pursuant to our employee incentive plans, we withheld 2,028 shares at an average price per share of \$107.99 in order to satisfy employees' tax withholding and payment obligations in connection with the vesting of awards of restricted stock, which we withheld at fair market value on the vesting date.

<sup>(2)</sup> On February 6, 2018, our board of directors approved an increase to our existing share repurchase program authorization, which raised the total available authorization to \$600 million. As of December 31, 2018, the approximate dollar value of shares that may yet be purchased under our share repurchase program was \$387.8 million. On February 5, 2019, the board of directors increased its authorization to repurchase shares of our common stock to \$750 million, inclusive of prior share repurchase programs authorized by the board and repurchases made thereunder. The authorizations by the board of directors do not expire, but could be revoked at any time. In addition, we are not required by any of the board's authorizations or otherwise to complete any repurchases by any specific time or at all.



**ITEM 6 - SELECTED FINANCIAL DATA**

You should read the selected financial data set forth below in conjunction with (i) "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations," (ii) "Item 8 - Financial Statements and Supplementary Data" and (iii) the historical consolidated financial statements of Global Payments and the related notes presented in this Annual Report on Form 10-K.

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,		
	2018	2017	2016	2016	2015	2014
<b>(in thousands, except per share data)</b>						
<b>Income statement data:</b>						
Revenues	\$ 3,366,366	\$ 3,975,163	\$ 2,202,896	\$ 2,898,150	\$ 2,773,718	\$ 2,554,236
Operating income	737,055	558,868	237,951	424,944	456,597	405,499
Net income	484,667	494,070	137,683	290,217	309,115	269,952
Net income attributable to Global Payments	452,053	468,425	124,931	271,666	278,040	245,286
<b>Per share data:</b>						
Basic earnings per share	\$ 2.85	\$ 3.03	\$ 0.81	\$ 2.05	\$ 2.07	\$ 1.70
Diluted earnings per share	2.84	3.01	0.81	2.04	2.06	1.69
Dividends per share	0.04	0.04	0.02	0.04	0.04	0.04
<b>Balance sheet data (at period end):</b>						
Total assets	\$ 13,230,774	\$ 12,998,069	\$ 10,664,350	\$ 10,509,952	\$ 5,779,301	\$ 4,002,527
Settlement lines of credit	700,486	635,166	392,072	378,436	592,629	440,128
Long-term debt	5,130,243	4,659,716	4,438,612	4,515,286	1,740,067	1,390,507
Total equity	4,186,343	3,965,231	2,779,342	2,877,404	863,553	1,132,799

As more fully described in "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" and "Note 3—Revenues" in the notes to the accompanying consolidated financial statements, we adopted a new revenue accounting standard on January 1, 2018 that results in revenue being presented net of certain fees that we pay to third parties, including payment networks. This change in presentation affected our reported revenues and operating expenses during the year ended December 31, 2018 by the same amount and had no effect on operating income.

The selected financial data in the table above reflect the effects of acquisitions and borrowings to fund certain of those acquisitions. See "Note 2—Acquisitions" in the notes to the accompanying consolidated financial statements for further discussion of our acquisitions.

Operating income, net income, net income attributable to Global Payments and basic and diluted earnings per share in the table above reflect acquisition and integration expenses of \$56.1 million for the year ended December 31, 2018, \$94.6 million for the year ended December 31, 2017, \$91.6 million for the 2016 fiscal transition period and \$51.3 million for the year ended May 31, 2016.

Net income, net income attributable to Global Payments and basic and diluted earnings per share in the table above also reflect:

(a) the effects of a net income tax benefit of \$23.3 million in connection with adjustments made to accounting estimates associated with the 2017 U.S. Tax Act for the year ended December 31, 2018 and a provisional net income tax benefit of \$158.7 million recorded in connection with the 2017 U.S. Tax Act for the year ended December 31, 2017. See "Note 10—Income Tax" in the notes to the accompanying consolidated financial statements for further discussion; and,

(b) a gain of \$41.2 million recorded in connection with the sale of our membership interests in Visa Europe Limited ("Visa Europe") for the seven months ended December 31, 2016. See "Note 7—Other Assets" in the notes to the accompanying consolidated financial statements for further discussion.

## ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Item 6 - Selected Financial Data" and "Item 8 - Financial Statements and Supplementary Data." This discussion and analysis contains forward-looking statements about our plans and expectations of what may happen in the future. Forward-looking statements are based on a number of assumptions and estimates that are inherently subject to significant risks and uncertainties, and our actual results could differ materially from the results anticipated by our forward-looking statements as a result of many known and unknown factors, including but not limited to those discussed in "Item 1A - Risk Factors." See "Cautionary Notice Regarding Forward-Looking Statements" located above "Item 1 - Business."

### General

We are a leading worldwide provider of payment technology and software solutions delivering innovative services to our customers globally. Our technologies, services and employee expertise enable us to provide a broad range of solutions that allow our customers to accept various payment types and operate their businesses more efficiently. We distribute our services across a variety of channels in 32 countries throughout North America, Europe, the Asia-Pacific region and Brazil and operate in three reportable segments: North America, Europe and Asia-Pacific.

We were incorporated in Georgia as Global Payments Inc. in 2000 and spun-off from our former parent company in 2001. Including our time as part of our former parent company, we have been in the payment technology services business since 1967. Since our spin-off, we have expanded in existing markets and into new markets internationally by pursuing further acquisitions and joint ventures, including recent acquisitions of technology-enabled and software-driven businesses. In April 2016, we merged with Heartland Payment Systems, Inc. ("Heartland"), which significantly expanded our small and medium-sized enterprise distribution, merchant base and vertical reach in the United States.

We provide payment technology and software solutions to customers globally. Our payment technology solutions are similar around the world in that we enable our customers to accept card, electronic, check and digital-based payments. Our comprehensive offerings include, but are not limited to, authorization services, settlement and funding services, customer support and help-desk functions, chargeback resolution, terminal rental, sales and deployment, payment security services, consolidated billing and statements and on-line reporting.

In addition, we offer a wide array of enterprise software solutions that streamline business operations to customers in numerous vertical markets. We also provide a variety of value-added services, including analytic and engagement tools, payroll services and reporting that assist our customers with driving demand and operating their businesses more efficiently.

The majority of our revenues is generated by services priced as a percentage of transaction value or a specified fee per transaction, depending on the card type or the vertical. We also earn software subscription and licensing fees, as well as other fees based on specific value-added services that may be unrelated to the number or value of transactions.

Our primary business model is to actively market and provide our payment services, enterprise software solutions and other value-added services directly to our customers through a variety of distribution channels. We offer high-touch services that provide our customers with reliable and secure solutions coupled with high quality and responsive support services. Through our direct sales force worldwide, as well as bank partnerships, which we generally refer to as "direct distribution," we offer our payment technology services, software and other value-added solutions directly to customers in the markets we serve. In addition, we also provide certain of our services through a wholesale distribution channel where we do not maintain the face-to-face relationship with the customer. As we continue to grow and control our direct distribution by adding new channels and partners, including expanding our ownership of additional enterprise software solutions in select vertical markets, our wholesale distribution channel has become a smaller portion of our business.

We seek to leverage the continued shift to electronic payments by expanding market share in our existing markets through our distribution channels or through acquisitions in North America, Europe and the Asia-Pacific region and investing in and leveraging technology and people, thereby maximizing shareholder value. We also seek to enter new markets through acquisitions in Europe, the Asia-Pacific region and the Latin America region.

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In general, our business has not experienced pronounced seasonality. However, each geographic channel has somewhat higher and lower quarters given the nature of the merchant portfolio.

In 2016, we changed our fiscal year end from May 31 to December 31. As a result, the period consisting of the seven months ended December 31, 2016 is considered the "2016 fiscal transition period." When our financial results for the year ended December 31, 2017 and the 2016 fiscal transition period are compared to our financial results for the prior-year periods, the results compare the twelve-month period from January 1, 2017 through December 31, 2017 to the twelve-month period from January 1, 2016 through December 31, 2016 and compare the seven-month period from June 1, 2016 through December 31, 2016 to the seven-month period from June 1, 2015 through December 31, 2015. The results for the twelve months ended December 31, 2016 and the seven months ended December 31, 2015 are unaudited.

### **Segment Information**

For a description of our reportable segments see "Note 16—Segment Information" in the notes to the accompanying consolidated financial statements, which is incorporated herein by reference.

### **Executive Overview**

As more fully described in "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" and "Note 3—Revenues" in the notes to the accompanying consolidated financial statements, we adopted a new revenue accounting standard on January 1, 2018 that results in revenue being presented net of certain fees that we pay to third parties, including payment networks. This change in presentation affected our reported revenues and operating expenses during the year ended December 31, 2018 by the same amount and had no effect on operating income.

We experienced strong business and financial performance around the world during the year ended December 31, 2018. Highlights related to our financial condition and results of operations as of December 31, 2018 and for the year then ended include the following:

- Consolidated revenues were \$3,366.4 million and \$3,975.2 million for the years ended December 31, 2018 and 2017, respectively. Consolidated revenues without the effect of the new revenue accounting standard increased by 12.6% to \$4,475.6 million for the year ended December 31, 2018 compared to \$3,975.2 million for 2017. The increase in revenues without the effect of the new revenue accounting standard was primarily due to organic growth.
- Consolidated operating income was \$737.1 million and \$558.9 million for the years ended December 31, 2018 and 2017, respectively. Our operating margin for the year ended December 31, 2018 was 21.9%. Without the effect of the new revenue accounting standard, our operating margin for the year ended December 31, 2018 was 15.6% compared to 14.1% for 2017. The increase in operating income and operating margin without the effect of the new revenue accounting standard was primarily due to the contribution of revenue growth and a decrease in costs associated with acquisition and integration expenses of \$38.5 million.
- Net income attributable to Global Payments was \$452.1 million for the year ended December 31, 2018 compared to \$468.4 million for 2017, and diluted earnings per share was \$2.84 for the year ended December 31, 2018 compared to \$3.01 for 2017.
- On December 22, 2017, the United States enacted the U.S. Tax Cuts and Jobs Act of 2017 (the "2017 U.S. Tax Act"). As a result, we recorded a provisional net income tax benefit of \$158.7 million, which increased diluted earnings per share by \$1.02 for the year ended December 31, 2017. During 2018, we continued to analyze other provisions of the 2017 U.S. Tax Act and completed our accounting for the transition effects of the 2017 U.S. Tax Act, which resulted in an income tax benefit of \$23.3 million.

## **Emerging Trends**

For a further discussion of trends, uncertainties and other factors that could affect our continuing operating results, see the section entitled "Risk Factors" in Item 1A in this Annual Report on Form 10-K.

The payments technology industry continues to grow worldwide and as a result, certain large payment technology companies, including us, have expanded operations globally by pursuing acquisitions and creating alliances and joint ventures. We expect to continue to expand into new markets internationally and increase our scale and improve our competitiveness in existing markets by pursuing further acquisitions and joint ventures.

We believe that the number of electronic payment transactions will continue to grow and that an increasing percentage of these will be facilitated through emerging technologies. As a result, we expect an increasing portion of our future capital investment will be allocated to support the development of new and emerging technologies; however, we do not expect our aggregate capital spending to increase materially from our current level of spending as a result of this.

We also believe new markets will continue to develop in areas that have been previously dominated by paper-based transactions. We expect industries such as education, government and healthcare, as well as recurring payments and business-to-business payments, to continue to see transactions migrate to electronic-based solutions. We anticipate that the continued development of new services and the emergence of new vertical markets will be a factor in the growth of our business and our revenue in the future.

## **Recent Acquisitions**

On October 17, 2018, we acquired SICOM Systems, Inc. ("SICOM") for total purchase consideration of approximately \$409 million, which we funded with cash on hand and by drawing on our Revolving Credit Facility (described in "Note 8—Long-Term Debt and Lines of Credit" in the notes to the accompanying consolidated financial statements). SICOM is a provider of end-to-end enterprise, cloud-based software solutions and other technologies to quick service restaurants and food service management companies.

On September 4, 2018, we acquired AdvancedMD, Inc. ("AdvancedMD") for total purchase consideration of approximately \$707 million, which we funded with cash on hand and by drawing on our Revolving Credit Facility. AdvancedMD is a provider of cloud-based enterprise software solutions to small-to-medium sized ambulatory care physician practices in the United States.

On September 1, 2017, we acquired the communities and sports divisions of Athlaction Topco, LLC ("ACTIVE Network") for total purchase consideration of \$1.2 billion, consisting of approximately \$600 million in cash and 6.4 million shares of our common stock. We funded the cash consideration primarily by drawing on our Revolving Credit Facility. ACTIVE Network delivers cloud-based enterprise software, including payment technology solutions, to event organizers in the communities and health and fitness vertical markets.

These acquisitions align with our technology-enabled, software driven strategy and add enterprise software businesses operating in existing vertical markets that we serve and additional vertical markets that we believe offer attractive growth fundamentals. See "Note 2—Acquisitions" in the notes to the accompanying consolidated financial statements for further discussion of these and other acquisitions.

## **Results of Operations**

### ***Revenues***

As more fully described in "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" and "Note 3—Revenues" in the notes to the accompanying consolidated financial statements, we adopted a new revenue accounting standard on January 1, 2018 that results in revenue being presented net of certain fees that we pay to third parties, including payment networks. This change in presentation affected our reported revenues and operating expenses during the year ended December 31, 2018 by the same amount and had no effect on operating income.

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The majority of our revenues is generated by services priced as a percentage of transaction value or a specified fee per transaction, depending on card type or the vertical. We also earn software subscription and licensing fees, as well as other fees based on specific value-added services that may be unrelated to the number or value of transactions. These revenues depend upon a number of factors, such as demand for and price of our services, the technological competitiveness of our offerings, our reputation for providing timely and reliable service, competition within our industry and general economic conditions.

We provide payment technology and software solutions to customers and fund settlement either directly, in markets where we have direct membership with the payment networks, or through our relationship with a member financial institution in markets where we are sponsored. Revenues are recognized in the amount of customer billing net of interchange fees and, beginning in 2018, payment network fees. We market our services through a variety of sales channels, including a direct sales force, trade associations, agent and enterprise software providers and referral arrangements with value-added resellers ("VARs"), which we generally refer to as "direct distribution." We also sell services through our ISO channel, where the ISO receives a share of the customer profitability in the form of a monthly residual payment, which is reflected as a component of selling, general and administrative expenses in the consolidated statements of income.

### ***Operating Expenses***

#### *Cost of Service*

Cost of service consists primarily of salaries, wages and related expenses paid to operations and technology-related personnel, including those who monitor our transaction processing systems and settlement functions; the cost of transaction processing systems, including third-party services; the cost of network telecommunications capability; depreciation and occupancy costs associated with the facilities performing these functions; amortization of intangible assets and provisions for operating losses. For periods prior to 2018, payment network fees were included in cost of service.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses consist primarily of salaries, wages, commissions and related expenses paid to sales personnel, customer support functions other than those supporting revenue, administrative employees and management; acquisition and integration expenses; amortization of capitalized customer acquisition costs; residuals paid to ISOs; fees paid to VARs, independent contractors and other third parties; other selling expenses; occupancy costs of leased space directly related to these functions; share-based compensation expense and advertising costs.

### ***Operating Income and Operating Margin***

For the purpose of discussing segment operations, we refer to "operating income," which is calculated by subtracting segment direct expenses from segment revenues. Overhead and shared expenses, including share-based compensation, are not allocated to segment operations; they are reported in the caption "Corporate." Similarly, we refer to "operating margin" regarding segment operations, which is calculated by dividing segment operating income by segment revenues.

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*Year Ended December 31, 2018 Compared to Year Ended December 31, 2017*

The following table sets forth key selected financial data for the year ended December 31, 2018 and 2017, this data as a percentage of total revenues, and the changes between periods in dollars and as a percentage of the prior-period amount. The income statement data for the year ended December 31, 2018 and 2017 are derived from the audited consolidated financial statements included in Item 8 - Financial Statements and Supplementary Data.

<i>(dollar amounts in thousands)</i>	Year Ended December 31,		Year Ended December 31,		Change	% Change
	2018	% of Revenue <sup>(1)</sup>	2017	% of Revenue <sup>(1)</sup>		
<b>Revenues<sup>(2)(3)</sup>:</b>						
North America	\$ 2,522,284	74.9 %	\$ 2,929,522	73.7 %	\$ (407,238)	(13.9)%
Europe	610,930	18.1 %	767,524	19.3 %	(156,594)	(20.4)%
Asia-Pacific	233,152	6.9 %	278,117	7.0 %	(44,965)	(16.2)%
Total revenues	\$ 3,366,366	100.0 %	\$ 3,975,163	100.0 %	\$ (608,797)	(15.3)%
<b>Consolidated operating expenses<sup>(2)(3)</sup>:</b>						
Cost of service	\$ 1,095,014	32.5 %	\$ 1,928,037	48.5 %	\$ (833,023)	(43.2)%
Selling, general and administrative	1,534,297	45.6 %	1,488,258	37.4 %	46,039	3.1 %
Operating expenses	\$ 2,629,311	78.1 %	\$ 3,416,295	85.9 %	\$ (786,984)	(23.0)%
<b>Operating income (loss)<sup>(3)</sup>:</b>						
North America	\$ 570,630	17.0 %	\$ 457,009	11.5 %	\$ 113,621	24.9 %
Europe	318,392	9.5 %	272,769	6.9 %	45,623	16.7 %
Asia-Pacific	93,402	2.8 %	81,273	2.0 %	12,129	14.9 %
Corporate <sup>(4)</sup>	(245,369)	(7.3)%	(252,183)	(6.3)%	6,814	(2.7)%
Operating income	\$ 737,055	21.9 %	\$ 558,868	14.1 %	\$ 178,187	31.9 %
<b>Operating margin<sup>(2)(3)</sup>:</b>						
North America	22.6%		15.6%		7.0%	
Europe	52.1%		35.5%		16.6%	
Asia-Pacific	40.1%		29.2%		10.9%	

<sup>(1)</sup> Percentage amounts may not sum to the total due to rounding.

<sup>(2)</sup> As more fully described in "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" and "Note 3—Revenues" in the notes to the accompanying consolidated financial statements, we adopted a new revenue accounting standard on January 1, 2018 that results in revenue being presented net of certain fees that we pay to third parties, including payment networks. This change in presentation affected our reported revenues and operating expenses during the year ended December 31, 2018 by the same amount and had no effect on operating income; however, the change in presentation did have the effect of increasing our operating margin, which is calculated by dividing operating income by revenue.

<sup>(3)</sup> Revenues, operating expenses, operating income and operating margin reflect the effect of acquired businesses from the respective dates of acquisition. For further discussion, see "Note 2—Acquisitions" in the notes to the accompanying consolidated financial statements.

<sup>(4)</sup> During the years ended December 31, 2018 and 2017, operating loss for Corporate included acquisition and integration expenses of \$56.1 million and \$94.6 million, respectively, which are included primarily in selling, general and administrative expenses in the consolidated statements of income.

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### *Revenues*

Effective January 1, 2018, our revenues are presented net of certain fees that we pay to third parties, including payment networks. This change in presentation affected our reported revenues and operating expenses for 2018 by the same amount and had no effect on operating income. Consolidated revenues without the effect of the new revenue accounting standard increased by 12.6% to \$4,475.6 million for the year ended December 31, 2018.

*North America Segment.* The change in presentation decreased our reported North America segment revenues for the year ended December 31, 2018 by \$726.3 million. Revenues from our North America segment without the effect of the new revenue accounting standard increased by 10.8% to \$3,247.0 million for the year ended December 31, 2018 primarily due to the acquisition of ACTIVE Network.

*Europe Segment.* The change in presentation decreased our reported Europe segment revenues for the year ended December 31, 2018 by \$307.3 million. Revenues from our Europe segment without the effect of the new revenue accounting standard increased by 19.6% to \$918.2 million for the year ended December 31, 2018 primarily due to organic growth.

*Asia-Pacific Segment.* The change in presentation decreased our reported Asia-Pacific segment revenues for the year ended December 31, 2018 by \$77.2 million. Revenues from our Asia-Pacific segment without the effect of the new revenue accounting standard increased by 11.6% to \$310.4 million for the year ended December 31, 2018 primarily due to organic growth.

### *Operating Expenses*

*Cost of Service.* Effective January 1, 2018, the new revenue accounting standard changed our presentation of certain fees that we pay to third parties, including payment networks, which decreased cost of service by \$1,042.9 million for the year ended December 31, 2018. Cost of service without the effect of the new revenue accounting standard increased by 11.2% to \$2,143.9 million for the year ended December 31, 2018, primarily due to additional costs associated with revenue growth and an increase in amortization of acquired intangibles of \$39.8 million. Cost of service without the effect of the new revenue accounting standard as a percentage of revenues without the effect of the new revenue accounting standard were 47.9% for the year ended December 31, 2018, compared to 48.5% for the prior year.

*Selling, General and Administrative Expenses.* Effective January 1, 2018, the new revenue accounting standard changed our presentation of certain fees that we pay to third parties, which decreased selling, general and administrative expenses by \$67.9 million for the year ended December 31, 2018. Selling, general and administrative expense without the effect of the new revenue accounting standard increased by 9.6% to \$1,631.4 million for the year ended December 31, 2018, primarily due to additional costs to support the growth of our business, partially offset by a reduction in acquisition and integration expenses of \$38.5 million. Selling, general and administrative expenses without the effect of the new revenue accounting standard as a percentage of revenues without the effect of the new revenue accounting standard decreased to 36.5% for the year ended December 31, 2018, compared to 37.4% for the prior year, primarily due to the reduction in acquisition and integration expenses.

### *Operating Income and Operating Margin*

*North America Segment.* Operating income in our North America segment increased by 24.9% to \$570.6 million for the year ended December 31, 2018, compared to the prior year, primarily due to the acquisition of ACTIVE Network. Operating margin without the effect of the new revenue accounting standard increased to 16.5% for the year ended December 31, 2018, compared to 15.6% for the prior year.

*Europe Segment.* Operating income in our Europe segment increased by 16.7% to \$318.4 million for the year ended December 31, 2018, compared to the prior year, primarily due to organic growth. Operating margin without the effect of the new revenue accounting standard decreased to 34.7% for the year ended December 31, 2018, compared to 35.5% for the prior year, due to the unfavorable effect of currency fluctuations.



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*Asia-Pacific Segment.* Operating income in our Asia-Pacific segment increased by 14.9% to \$93.4 million for the year ended December 31, 2018, compared to the prior year, primarily due to organic growth. Operating margin without the effect of the new revenue accounting standard increased to 29.8% for the year ended December 31, 2018, compared to 29.2% for the prior year.

*Corporate.* Corporate expenses decreased by 2.7% to \$245.4 million for the year ended December 31, 2018, compared to the prior year, primarily due to a decrease in acquisition and integration expenses of \$38.5 million, partially offset by an increase in share-based compensation expense of \$18.7 million and additional costs to support the growth of our business.

### *Other Income/Expense, Net*

Interest and other income increased by \$12.1 million to \$20.7 million for the year ended December 31, 2018 compared to the prior year primarily due to a gain of \$9.6 million recognized on the reorganization of a debit network association of which we were a member through one of our Canadian subsidiaries.

Interest and other expense increased by \$20.8 million to \$195.6 million for the year ended December 31, 2018 compared to the prior year. Interest expense for the year ended December 31, 2018 reflects an increase in our outstanding long-term debt to fund acquisitions as well as an increase in the London Interbank Offered Rate ("LIBOR").

### *Income Tax Benefit (Provision)*

We reported an income tax provision of \$77.5 million for the year ended December 31, 2018. During the year ended December 31, 2018, we continued to analyze our foreign tax pools and resulting foreign tax credits and reduced our estimated transition tax liability, which resulted in an income tax benefit of \$23.3 million. Our effective tax rate for the year ended December 31, 2018 was 13.8%, which reflects the benefit of the adjustment to the one-time transition tax liability.

For the year ended December 31, 2017, we reported an income tax benefit of \$101.4 million, reflecting the effect of a provisional net income tax benefit of \$158.7 million recorded in connection with the 2017 U.S. Tax Act. Our effective tax rate for the year ended December 31, 2017 was a benefit of 25.8%, which differs from the federal U.S. statutory rate and the effective income tax rate for the year ended December 31, 2018 primarily due to the net tax benefit we recorded in connection with the 2017 U.S. Tax Act. See "Note 10—Income Tax" in the notes to the accompanying consolidated financial statements for more discussion about the effects of the 2017 U.S. Tax Act on our accounting for income taxes for the years ended December 31, 2018 and 2017.

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*Year Ended December 31, 2017 Compared to Year Ended December 31, 2016*

The following table sets forth key selected financial data for the years ended December 31, 2017 and 2016, this data as a percentage of total revenues, and the changes between periods in dollars and as a percentage of the prior-period amount. The income statement data for the year ended December 31, 2017 are derived from the audited consolidated financial statements included in Item 8 - Financial Statements and Supplementary Data. The income statement data for the year ended December 31, 2016 are derived from our unaudited consolidated financial statements for that period.

<i>(dollar amounts in thousands)</i>	Year Ended December 31,		Year Ended December 31,		Change	% Change
	2017	% of Revenue <sup>(1)</sup>	2016	% of Revenue <sup>(1)</sup>		
<b>Revenues<sup>(2)</sup>:</b>						
North America	\$ 2,929,522	73.7 %	\$ 2,475,323	73.4 %	\$ 454,199	18.3 %
Europe	767,524	19.3 %	655,477	19.4 %	112,047	17.1 %
Asia-Pacific	278,117	7.0 %	240,176	7.1 %	37,941	15.8 %
Total revenues	\$ 3,975,163	100.0 %	\$ 3,370,976	100.0 %	\$ 604,187	17.9 %
<b>Consolidated operating expenses<sup>(2)</sup>:</b>						
Cost of service	\$ 1,928,037	48.5 %	\$ 1,603,532	47.6 %	\$ 324,505	20.2 %
Selling, general and administrative	1,488,258	37.4 %	1,411,096	41.9 %	77,162	5.5 %
Operating expenses	\$ 3,416,295	85.9 %	\$ 3,014,628	89.4 %	\$ 401,667	13.3 %
<b>Operating income (loss)<sup>(2)</sup>:</b>						
North America	\$ 457,009	11.5 %	\$ 350,291	10.4 %	\$ 106,718	30.5 %
Europe	272,769	6.9 %	232,882	6.9 %	39,887	17.1 %
Asia-Pacific	81,273	2.0 %	58,709	1.7 %	22,564	38.4 %
Corporate <sup>(3)</sup>	(252,183)	(6.3)%	(285,534)	(8.5)%	33,351	(11.7)%
Operating income	\$ 558,868	14.1 %	\$ 356,348	10.6 %	\$ 202,520	56.8 %
<b>Operating margin<sup>(2)</sup>:</b>						
North America	15.6%		14.2%		1.4%	
Europe	35.5%		35.5%		—%	
Asia-Pacific	29.2%		24.4%		4.8%	

<sup>(1)</sup> Percentage amounts may not sum to the total due to rounding.

<sup>(2)</sup> Revenues, operating expenses, operating income and operating margin reflect the effect of acquired businesses from the respective dates of acquisition. For further discussion, see "Note 2—Acquisitions" in the notes to the accompanying consolidated financial statements.

<sup>(3)</sup> During the years ended December 31, 2017 and 2016, operating loss for Corporate included acquisition and integration expenses of \$94.6 million and \$142.1 million, respectively, which are included primarily in selling, general and administrative expenses in the consolidated statements of income.

*Revenues*

For the year ended December 31, 2017, revenues increased by \$604.2 million, or 17.9%, compared to the prior year, to \$3,975.2 million, reflecting growth in each of our operating segments.

*North America Segment.* For the year ended December 31, 2017, revenues from our North America segment increased by \$454.2 million, or 18.3%, compared to the prior year, to \$2,929.5 million primarily due to our merger with Heartland, the results of

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which were included in our consolidated statement of income for a full year during the year ended December 31, 2017, compared to approximately eight months during the year ended December 31, 2016.

*Europe Segment.* For the year ended December 31, 2017, revenues from our Europe segment increased by \$112.0 million, or 17.1%, compared to the prior year, to \$767.5 million, primarily due to organic growth.

*Asia-Pacific Segment.* For the year ended December 31, 2017, revenues from our Asia-Pacific segment increased by \$37.9 million, or 15.8%, compared to the prior year, to \$278.1 million, primarily due to organic growth.

### *Operating Expenses*

*Cost of Service.* For the year ended December 31, 2017, cost of service increased by \$324.5 million, or 20.2%, compared to the prior year, to \$1,928.0 million. As a percentage of revenues, cost of service increased to 48.5% for the year ended December 31, 2017 compared to 47.6% for the prior year. These increases were driven primarily by an increase in the variable costs associated with our revenue growth, including incremental expenses associated with acquired businesses, as well as additional intangible asset amortization associated with recently acquired businesses of \$78.6 million.

*Selling, General and Administrative Expenses.* For the year ended December 31, 2017, selling, general and administrative expenses increased by \$77.2 million, or 5.5%, compared to the prior year, to \$1,488.3 million. The increase in selling, general and administrative expenses was primarily due to additional costs to support the growth of our business, including incremental expenses associated with acquired businesses. As a percentage of revenues, selling, general and administrative expenses decreased to 37.4% for the year ended December 31, 2017 compared to 41.9% for the prior year. The decrease in selling, general and administrative expenses as a percentage of revenues was primarily due to synergies achieved in general and administrative expenses from the merger with Heartland, as well as the decrease in acquisition and integration expenses during the year ended December 31, 2017 of \$47.5 million.

### *Operating Income and Operating Margin*

*North America Segment.* Operating income in our North America segment increased by 30.5% to \$457.0 million for the year ended December 31, 2017 compared to the prior year and operating margin increased by 1.4 percentage points. The increase in operating income was primarily due to revenue growth in our U.S. business, which during the year ended December 31, 2017 was partially offset by additional intangible asset amortization associated with acquired businesses. The increase in operating margin during the year ended December 31, 2017 was primarily due to revenue growth and a decrease in Heartland customer-related intangible asset amortization, which is calculated using an accelerated method.

*Europe Segment.* Operating income in our Europe segment increased by 17.1% to \$272.8 million for the year ended December 31, 2017 compared to the prior year, while operating margin remained equal to the prior year. The increase in operating income was primarily due to revenue growth.

*Asia-Pacific Segment.* Operating income in our Asia-Pacific segment increased by 38.4% to \$81.3 million for the year ended December 31, 2017 compared to the prior year and operating margin increased by 4.8 percentage points. The increases in operating income and operating margin were primarily due to organic revenue growth.

*Corporate.* Corporate expenses decreased by 11.7% to \$252.2 million for the year ended December 31, 2017 compared to the prior year primarily due to a decrease in acquisition and integration expenses.

### *Other Income/Expense, Net*

Interest and other income decreased by \$38.1 million for the year ended December 31, 2017 compared to the prior year, which included a gain of \$41.2 million in connection with the sale of our membership interests in Visa Europe.

Interest and other expense increased by \$28.7 million for the year ended December 31, 2017 compared to the prior year. The outstanding borrowings on our long-term debt facilities increased significantly in April 2016 as a result of incremental borrowings we made to fund a portion of the total consideration for our merger with Heartland. Since then, we have made principal repayments

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that have lowered our average outstanding borrowings, and we have lowered the leverage-based margins we pay on interest rates through refinancing activities that we completed in October 2016 and May 2017. The savings in interest expense that we realized during the second half of 2017 due to these refinancing activities were partially offset by increases in LIBOR during the intervening time frame and additional borrowings under our Revolving Credit Facility to complete the acquisition of ACTIVE Network.

*Income Tax (Benefit) Provision*

We reported an income tax benefit of \$101.4 million for the year ended December 31, 2017, reflecting the effect of a provisional net income tax benefit of \$158.7 million recorded in connection with the 2017 U.S. Tax Act. Our effective tax rate for the year ended December 31, 2017 was a benefit of 25.8%, which differs from the federal U.S. statutory rate and the effective income tax rate for the year ended December 31, 2016 primarily due to the net tax benefit we recorded in connection with the 2017 U.S. Tax Act. See "Note 10—Income Tax" in the notes to the accompanying consolidated financial statements for more discussion about the effects of the 2017 U.S. Tax Act on our accounting for income taxes for the year ended December 31, 2017.

For the year ended December 31, 2016, we recorded an income tax provision of \$36.3 million, which equated to an effective tax rate of 14.1%. The effective income tax rate for the year ended December 31, 2016 included a benefit from eliminating certain net deferred tax liabilities associated with undistributed earnings from Canada, as a result of management's plans at that time to reinvest these earnings outside the United States indefinitely.

**Seven Months Ended December 31, 2016 Compared to Seven Months Ended December 31, 2015**

The following table sets forth key selected financial data for the seven months ended December 31, 2016 and 2015, this data as a percentage of total revenues, and the changes between periods in dollars and as a percentage of the prior-period amount. The income statement data for the seven months ended December 31, 2016 are derived from the audited consolidated financial statements included in Item 8 - Financial Statements and Supplementary Data. The income statement data for the seven months ended December 31, 2015 are derived from our unaudited consolidated financial statements for that period.

<i>(dollar amounts in thousands)</i>	Seven Months Ended December 31,		Seven Months Ended December 31,		Change	% Change
	2016	% of Revenue <sup>(1)</sup>	2015	% of Revenue <sup>(1)</sup>		
<b>Revenues<sup>(2):</sup></b>						
North America	\$ 1,650,616	74.9%	\$ 1,227,916	71.0%	\$ 422,700	34.4 %
Europe	403,823	18.3%	380,246	22.0%	23,577	6.2 %
Asia-Pacific	148,457	6.7%	121,908	7.0%	26,549	21.8 %
Total revenues	<u>\$ 2,202,896</u>	<u>100.0%</u>	<u>\$ 1,730,070</u>	<u>100.0%</u>	<u>\$ 472,826</u>	<u>27.3 %</u>
<b>Consolidated operating expenses<sup>(2):</sup></b>						
Cost of service	\$ 1,094,593	49.7%	\$ 638,700	36.9%	\$ 455,893	71.4 %
Selling, general and administrative	870,352	39.5%	784,823	45.4%	85,529	10.9 %
Operating expenses	<u>\$ 1,964,945</u>	<u>89.2%</u>	<u>\$ 1,423,523</u>	<u>82.3%</u>	<u>\$ 541,422</u>	<u>38.0 %</u>
<b>Operating income (loss)<sup>(2):</sup></b>						
North America	\$ 233,850		\$ 191,185		\$ 42,665	22.3 %
Europe	145,767		157,722		(11,955)	(7.6)%
Asia-Pacific	37,530		29,564		7,966	26.9 %
Corporate <sup>(3)</sup>	(179,196)		(71,924)		(107,272)	149.1 %
Operating income	<u>\$ 237,951</u>	<u>10.8%</u>	<u>\$ 306,547</u>	<u>17.7%</u>	<u>\$ (68,596)</u>	<u>(22.4)%</u>
<b>Operating margin:</b>						
North America	14.2%		15.6%		(1.4)%	
Europe	36.1%		41.5%		(5.4)%	
Asia-Pacific	25.3%		24.3%		1.0 %	

<sup>(1)</sup> Percentage amounts may not sum to the total due to rounding.

<sup>(2)</sup> Revenues, operating expenses, operating income and operating margin reflect the effect of acquired businesses from the respective dates of acquisition. Notably, on April 22, 2016, we merged with Heartland as further discussed in "Note 2—Acquisitions" in the notes to the accompanying consolidated financial statements.

<sup>(3)</sup> During the seven months ended December 31, 2016, operating loss for Corporate included acquisition and integration costs of \$91.6 million, which are included in selling, general and administrative expenses in the consolidated statements of income.

**Revenues**

For the seven months ended December 31, 2016, revenues increased 27.3% to \$2,202.9 million compared to the prior-year period, reflecting growth in each of our operating segments, in spite of the unfavorable effect of fluctuations in foreign currency exchange rates. For the seven months ended December 31, 2016, currency exchange rate fluctuations reduced our revenues by \$35.3 million compared to the prior-year period, calculated by converting revenues for the seven months ended December 31, 2016 in local currencies using exchange rates for the seven months ended December 31, 2015.

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*North America Segment.* For the seven months ended December 31, 2016, revenues from our North America segment increased by \$422.7 million, or 34.4%, compared to the prior-year period to \$1,650.6 million primarily due to our merger with Heartland.

*Europe Segment.* For the seven months ended December 31, 2016, revenues from our Europe segment increased by \$23.6 million, or 6.2%, compared to the prior-year period to \$403.8 million due to a joint venture with Erste Group Bank AG ("Erste Group") in Central and Eastern Europe that commenced in June 2016, despite the unfavorable effect of currency fluctuations in Europe of \$34.3 million.

*Asia-Pacific Segment.* For the seven months ended December 31, 2016, revenues from our Asia-Pacific segment increased by \$26.5 million, or 21.8%, compared to the prior-year period to \$148.5 million, primarily due to organic growth.

### *Operating Expenses*

*Cost of Service.* Cost of service increased by 71.4% to \$1,094.6 million for the seven months ended December 31, 2016 compared to the prior-year period. As a percentage of revenues, cost of service increased to 49.7% for the seven months ended December 31, 2016 compared to 36.9% in the prior year. The increase in cost of service was driven primarily by an increase in the variable costs associated with our revenue growth, including those related to our merger with Heartland, and by additional intangible asset amortization associated with recently acquired businesses of \$145.6 million for the seven months ended December 31, 2016.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased by 10.9% to \$870.4 million for the seven months ended December 31, 2016 compared to the prior-year period. As a percentage of revenues, selling, general and administrative expenses decreased to 39.5% for the seven months ended December 31, 2016 compared to 45.4% in the prior year. The increase in selling, general and administrative expenses was primarily due to additional costs to support the growth of our business, including incremental expenses associated with the integration of Heartland. The decrease in selling, general and administrative expenses as a percentage of revenues was primarily due to synergies achieved in general and administrative expenses from the merger with Heartland.

### *Operating Income and Operating Margin*

*North America Segment.* Operating income in our North America segment increased by 22.3% to \$233.9 million for the seven months ended December 31, 2016 compared to the prior-year period. The increase in operating income was primarily due to revenue growth in our U.S. business, partially offset by expenses associated with the integration of Heartland and additional intangible asset amortization associated with the merger. Operating margin decreased by 1.4 percentage points for the seven months ended December 31, 2016 compared to the prior-year period primarily as a result of the incremental merger-related expenses.

*Europe Segment.* Operating income in our Europe segment decreased by 7.6% to \$145.8 million for the seven months ended December 31, 2016 compared to the prior-year period, including the effect of unfavorable currency fluctuations of \$19.6 million. Operating margin decreased 5.4 percentage points for the seven months ended December 31, 2016 compared to the prior-year period. The decreases in operating income and operating margin were primarily driven by the effect of unfavorable currency fluctuations.

*Asia-Pacific Segment.* Operating income in our Asia segment increased by 26.9% to \$37.5 million for the seven months ended December 31, 2016 compared to the prior-year period. Operating margin increased 1.0 percentage point for the seven months ended December 31, 2016 compared to the prior-year period. The increases in operating income and operating margin were primarily due to organic revenue growth.

*Corporate.* Corporate expenses increased by \$107.3 million for the seven months ended December 31, 2016 compared to the prior-year period, primarily due to the merger with Heartland and incremental expenses of \$91.6 million associated with its integration.

### *Other Income/Expense, Net*

Interest and other income for the seven months ended December 31, 2016 increased primarily due to a gain of \$41.2 million recorded in connection with the sale of our membership interests in Visa Europe.

Interest and other expense increased by \$76.8 million for the seven months ended December 31, 2016 compared to the prior-

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year period primarily due to an increase in interest expense incurred resulting from an increase in the outstanding borrowings to fund the merger with Heartland.

### *Income Tax Provision*

Our effective income tax rates were 20.6% and 25.3%, respectively, for the seven months ended December 31, 2016 and 2015. The decrease in our effective income tax rate was primarily due to a higher percentage of income generated in international jurisdictions with lower tax rates (primarily as a result of the acquisition and integration-related expenses incurred in the United States).

### **Liquidity and Capital Resources**

In the ordinary course of our business, a significant portion of our liquidity comes from operating cash flows. Cash flow from operating activities is used to make planned capital investments in our business, to pursue acquisitions that meet our corporate objectives, to pay dividends, to pay principal and interest on our outstanding debt and to repurchase shares of our common stock. Accumulated cash balances are invested in high-quality, marketable short-term instruments.

Our capital plan objectives are to support our operational needs and strategic plan for long-term growth while maintaining a low cost of capital. We use our financing, such as term loans and our Revolving Credit Facility, for general corporate purposes and to fund acquisitions. In addition, specialized lines of credit are also used in certain of our markets to fund merchant settlement prior to receipt of funds from the card network. We regularly evaluate our liquidity and capital position relative to cash requirements, and we may elect to raise additional funds in the future, through the issuance of debt, equity or otherwise.

At December 31, 2018, we had cash and cash equivalents totaling \$1,210.9 million. Of this amount, we consider \$434.5 million to be available for general purposes, of which approximately \$18 million is undistributed foreign earnings considered to be indefinitely reinvested outside the United States. Under the 2017 U.S. Tax Act, a company's foreign earnings accumulated under legacy tax laws are deemed repatriated, and the 2017 U.S. Tax Act generally eliminates U.S. federal income taxes on dividends from foreign subsidiaries. The available cash of \$434.5 million does not include the following: (i) settlement-related cash balances, (ii) funds held as collateral for merchant losses ("Merchant Reserves") and (iii) funds held for customers. Settlement-related cash balances represent funds that we hold when the incoming amount from the card networks precedes the funding obligation to the merchant. Settlement-related cash balances are not restricted; however, these funds are generally paid out in satisfaction of settlement processing obligations the following day. Merchant Reserves serve as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. While this cash is not restricted in its use, we believe that designating this cash to collateralize Merchant Reserves strengthens our fiduciary standing with our member sponsors and is in accordance with the guidelines set by the card networks. Funds held for customers and the corresponding liability that we record in "customer deposits" include amounts collected prior to remittance on our customers' behalf.

Operating activities provided net cash of \$1,106.1 million during the year ended December 31, 2018, which was primarily attributable to net income of \$484.7 million adjusted for non-cash items, including depreciation and amortization expense of \$522.8 million, partially offset by a decrease in operating assets and liabilities of \$44.5 million.

Fluctuations in operating assets and liabilities are affected primarily by timing of month-end and transaction volume, especially changes in settlement processing assets and liabilities, and by the effects of businesses we acquire that have different working capital requirements. Changes in settlement processing assets and liabilities increased operating cash flows by \$83.5 million during the year ended December 31, 2018 and decreased operating cash flows by \$361.7 million during the year ended December 31, 2017. Changes in settlement processing assets and liabilities increased operating cash flows by \$35.6 million during the 2016 fiscal transition period and \$218.1 million during the year ended May 31, 2016.

Operating activities provided net cash of \$512.4 million, \$515.8 million and \$592.9 million, respectively, during the year ended December 31, 2017, the transition period ended December 31, 2016 and the year ended May 31, 2016, respectively. The increase in cash flows provided by operating activities since 2016, during which time we completed the acquisitions of Heartland, ACTIVE Network, AdvancedMD and SICOM, among others, was primarily due to our revenue growth and corresponding increase in operating income. The increase in operating cash flows from our growing business during this period was partially offset by investments made to integrate the acquired businesses. During the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016 we incurred \$56.1 million, \$94.6 million, \$91.6 million and \$51.3 million, respectively, of acquisition and

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integration expenses primarily related to the acquired businesses. In addition, during that same period of time, our interest expense has increased as a result of long-term debt we have issued, primarily to help fund these acquisitions, as well as increases in interest rates. During the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016, cash paid for interest expense was \$177.5 million, \$154.2 million, \$93.6 million and \$58.7 million, respectively. Based on the recent increase in our level of indebtedness to fund acquisitions, together with recent increases in interest rates, we expect our interest expense for the year ending December 31, 2019 to increase compared to interest expense for the year ended December 31, 2018, which could affect our cash flows and earnings.

We used net cash in investing activities of \$1,476.3 million, \$736.0 million, \$86.7 million and \$2,127.2 million during the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016, respectively. Cash used for investing activities represents primarily cash used to fund business acquisitions and capital expenditures.

During the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016, respectively, we used cash of \$1,259.7 million, \$562.7 million, \$33.9 million and \$2,034.4 million to complete acquisitions. In addition to cash, we used our common stock to fund a portion of the consideration for both the Heartland and ACTIVE Network acquisitions. See "Note 2—Acquisitions" in the notes to the accompanying consolidated financial statements for further discussion of our business acquisitions and how we funded acquired businesses.

We made capital expenditures of \$213.3 million, \$181.9 million, \$88.9 million and \$91.6 million to purchase property and equipment (including internal-use capitalized software development projects) during the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016, respectively. These investments include software and hardware to support the development of new technologies, continued consolidation and enhancement of our operating platforms and infrastructure to support our growing business.

During the year ended December 31, 2017, we sold our operating facility in Jeffersonville, Indiana for \$37.5 million. In addition, during the 2016 fiscal transition period we exchanged all of our membership interest in Visa Europe to Visa for up-front consideration, including cash of approximately \$37.7 million.

Financing activities include borrowings and repayments made under our Credit Facility (described in "Note 8—Long-Term Debt and Lines of Credit" in the notes to the accompanying consolidated financial statements) as well as borrowings and repayments made under specialized lines of credit to fund daily settlement activities. Our borrowing arrangements are further described below under "Long-Term Debt and Lines of Credit." Financing activities also include cash flows associated with common stock repurchase programs and share-based compensation programs as well as cash distributions made to noncontrolling interests and our shareholders. Cash flows from financing activities provided net cash of \$286.9 million and \$352.3 million during the years ended December 31, 2018 and December 31, 2017, respectively. During the 2016 fiscal transition period, we used net cash in financing activities of \$278.8 million. During the year ended May 31, 2016, cash flows from financing activities provided net cash of \$1,957.6 million.

Proceeds from long-term debt were \$2.8 billion, \$2.0 billion, \$1.3 billion and \$6.1 billion for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016, respectively. Repayments of long-term debt were \$2.3 billion, \$1.8 billion, \$1.4 billion and \$3.7 billion for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016, respectively. Proceeds from long-term debt include borrowings that we make from time-to-time under our Revolving Credit Facility, including those we have made to fund a portion of the cash consideration paid for acquired businesses. Repayments of long-term debt include repayments that we make from time-to-time under our Revolving Credit Facility as well as scheduled principal repayments made under our term loans. Debt issuance costs reflect the amount of fees we paid to complete these borrowing activities. During the year ended December 31, 2018, we repatriated \$457.7 million from certain of our foreign subsidiaries and used the cash to reduce outstanding borrowings under our Revolving Credit Facility.

Because we often receive funding from the payment networks after we fund our merchants, we have specialized lines of credit in various markets where we do business to fund settlement. Activity under our settlement lines of credit is affected primarily by timing of month-end and transaction volume. During the years ended December 31, 2018 and 2017 and the 2016 fiscal transition period, we had net proceeds from settlement lines of credit of \$70.8 million, \$221.5 million and \$20.6 million, respectively. During the year ended May 31, 2016, we had net repayments of settlement lines of credit of \$206.0 million.



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We make repurchases of our common stock mainly through open market repurchase plans and, at times, through accelerated share repurchase programs. During the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016, we invested cash of \$208.2 million, \$34.8 million, \$178.2 million and \$136.0 million, respectively, to repurchase shares of our common stock. As of December 31, 2018, we had \$387.8 million of share repurchase authority remaining under a program authorized by the board of directors, announced on February 6, 2018. On February 5, 2019, the board of directors increased its authorization to repurchase shares of our common stock to \$750 million, inclusive of prior share repurchase programs authorized by the board and repurchases made thereunder.

We believe that our current level of cash and borrowing capacity under our long-term debt and lines of credit described below, together with future cash flows from operations will be sufficient to meet the needs of our existing operations and planned requirements for the foreseeable future.

### ***Long-Term Debt and Lines of Credit***

We are party to a credit facility agreement with Bank of America, N.A., as administrative agent, and a syndicate of financial institutions as lenders and other agents (as amended from time to time, the "Credit Facility"). As of December 31, 2018, the Credit Facility provided for secured financing comprised of (i) a \$1.5 billion revolving credit facility (the "Revolving Credit Facility"); (ii) a \$1.5 billion term loan (the "Term A Loan"), (iii) a \$1.37 billion term loan (the "Term A-2 Loan"), (iv) a \$1.14 billion term loan facility (the "Term B-2 Loan") and (v) a \$500 million term loan (the "Term B-4 Loan"). Substantially all of the assets of our domestic subsidiaries are pledged as collateral under the Credit Facility. As of December 31, 2018, the aggregate outstanding balance on the term loans was \$4.5 billion, and the outstanding balance on the Revolving Credit Facility was \$704.0 million.

The borrowings outstanding under our Credit Facility as of December 31, 2018 reflect amounts borrowed for acquisitions and other activities we completed in 2018, including a reduction to the interest rate margins applicable to our Term A Loan, Term A-2 Loan, Term B-2 Loan and the Revolving Credit Facility, an extension of the maturity dates of the Term A Loan, Term A-2 Loan and the Revolving Credit Facility, and an increase in the total financing capacity under the Credit Facility to approximately \$5.5 billion in June 2018.

In October 2018, we entered into an additional term loan in the amount of \$500 million (the "Term B-4 Loan"). We used the proceeds from the Term B-4 Loan to pay down a portion of the balance outstanding under our Revolving Credit Facility.

The Credit Facility provides for an interest rate, at our election, of either LIBOR or a base rate, in each case plus a margin. As of December 31, 2018, the interest rates on the Term A Loan, the Term A-2 Loan, the Term B-2 Loan and the Term B-4 Loan were 4.02%, 4.01%, 4.27% and 4.27%, respectively, and the interest rate on the Revolving Credit Facility was 3.92%. In addition, we are required to pay a quarterly commitment fee with respect to the unused portion of the Revolving Credit Facility at an applicable rate per annum ranging from 0.20% to 0.30% depending on our leverage ratio.

The Term A Loan and the Term A-2 Loan mature, and the Revolving Credit Facility expires, on January 20, 2023. The Term B-2 Loan matures on April 22, 2023. The Term B-4 Loan matures on October 18, 2025. The Term A Loan and Term A-2 Loan principal amounts must each be repaid in quarterly installments in the amount of 0.625% of principal through June 2019, increasing to 1.25% of principal through June 2021, increasing to 1.875% of principal through June 2022 and increasing to 2.50% of principal through December 2022, with the remaining principal balance due upon maturity in January 2023. The Term B-2 Loan principal must be repaid in quarterly installments in the amount of 0.25% of principal through March 2023, with the remaining principal balance due upon maturity in April 2023. The Term B-4 Loan principal must be repaid in quarterly installments in the amount of 0.25% of principal through September 2025, with the remaining principal balance due upon maturity in October 2025.

We may issue standby letters of credit of up to \$100 million in the aggregate under the Revolving Credit Facility. Outstanding letters of credit under the Revolving Credit Facility reduce the amount of borrowings available to us. Borrowings available to us under the Revolving Credit Facility are further limited by the covenants described below under "Compliance with Covenants." The total available commitments under the Revolving Credit Facility at December 31, 2018 were \$783.6 million.

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### *Settlement Lines of Credit*

In various markets where we do business, we have specialized lines of credit, which are restricted for use in funding settlement. The settlement lines of credit generally have variable interest rates, are subject to annual review and are denominated in local currency but may, in some cases, facilitate borrowings in multiple currencies. For certain of our lines of credit, the available credit is increased by the amount of cash we have on deposit in specific accounts with the lender. Accordingly, the amount of the outstanding line of credit may exceed the stated credit limit. As of December 31, 2018 and 2017, a total of \$70.6 million and \$59.3 million, respectively, of cash on deposit was used to determine the available credit.

As of December 31, 2018 and 2017, respectively, we had \$700.5 million and \$635.2 million outstanding under these lines of credit with additional capacity of \$710.3 million as of December 31, 2018 to fund settlement. The weighted-average interest rate on these borrowings was 2.97% and 1.97% at December 31, 2018 and 2017, respectively.

### *Compliance with Covenants*

The Credit Facility Agreement contains customary affirmative and restrictive covenants, including, among others, financial covenants based on our leverage and interest coverage ratios, as defined in the agreement. As of December 31, 2018, financial covenants under the Credit Facility Agreement required a leverage ratio no greater than: (i) 5.00 to 1.00 as of the end of any fiscal quarter ending during the period from April 1, 2018 through June 30, 2019; (ii) 4.75 to 1.00 as of the end of any fiscal quarter ending during the period from July 1, 2019 through June 30, 2020; and (iii) 4.50 to 1.00 as of the end of any fiscal quarter ending thereafter. The interest coverage ratio is required to be no less than 3.25 to 1.00.

The Credit Facility Agreement and settlement lines of credit also include various other covenants that are customary in such borrowings. The Credit Facility Agreement includes covenants, subject in each case to exceptions and qualifications that may restrict certain payments, including, in certain circumstances, the repurchasing of our common stock and paying cash dividends in excess of our current rate of \$0.01 per share per quarter. We were in compliance with all applicable covenants as of December 31, 2018.

See "Note 8—Long-Term Debt and Lines of Credit" in the notes to the accompanying consolidated financial statements for further discussion of our borrowing arrangements.

### *Off-Balance Sheet Arrangements*

We have not entered into any off-balance sheet arrangements that have, or are reasonably likely to have, a material effect on our financial condition, revenues, results of operations, liquidity, capital expenditures or capital resources, other than the guarantee services described in "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" in the notes to the accompanying consolidated financial statements.

### *BIN/ICA Agreements*

We have entered into sponsorship or depository and processing agreements with certain banks. These agreements allow us to use the banks' identification numbers, referred to as Bank Identification Number ("BIN") for Visa transactions and Interbank Card Association ("ICA") number for Mastercard transactions, to clear credit card transactions through Visa and Mastercard. Certain of such agreements contain financial covenants, and we were in compliance with all such covenants as of December 31, 2018.

**Commitments and Contractual Obligations**

The following table summarizes our contractual obligations and commitments as of December 31, 2018:

	Payments Due by Future Period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	5+ Years
	(in thousands)				
Long-term debt	\$ 5,167,643	\$ 124,176	\$ 355,827	\$ 4,212,640	\$ 475,000
Interest on long-term debt <sup>(1)</sup>	888,317	206,112	410,538	235,158	36,509
Settlement lines of credit	700,486	700,486	—	—	—
Operating lease obligations <sup>(2)</sup>	433,408	50,095	124,790	33,298	225,225
Purchase obligations <sup>(3)</sup>	302,001	88,022	157,532	22,909	33,538

<sup>(1)</sup> Interest on long-term debt is based on rates effective and amounts borrowed as of December 31, 2018. The estimated effect of interest rate swaps is included in interest on long-term debt. Since the contractual rates for our long-term debt and settlements on our interest rate swaps are variable, actual cash payments may differ from the estimates provided.

<sup>(2)</sup> Operating lease obligations include approximately \$70 million for operating lease agreements not commenced at December 31, 2018.

<sup>(3)</sup> Includes estimate of future payments for noncancelable contractual obligations related to service arrangements with suppliers for fixed or minimum amounts.

The table above excludes other obligations that we may have, such as employee benefit obligations and other noncurrent liabilities reflected in our consolidated balance sheet, because the timing of the related payments is not determinable or because there is no contractual obligation associated with the underlying obligations.

**Critical Accounting Policies**

Our consolidated financial statements have been prepared in accordance with GAAP, which often require the judgment of management in the selection and application of certain accounting principles and methods. We consider the following accounting policies to be critical to understanding our consolidated financial statements because the application of these policies requires significant judgment on the part of management, and as a result, actual future developments may be different from those expected at the time that we make these critical judgments. We have discussed these critical accounting policies with the audit committee of the board of directors.

Accounting estimates necessarily require subjective determinations about future events and conditions. Therefore, the following descriptions of our critical accounting policies are forward-looking statements, and actual results could differ materially from the results anticipated by these forward-looking statements. You should read the following in conjunction with "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" of the notes to the accompanying consolidated financial statements and the risk factors contained in "Item 1A - Risk Factors" of this Annual Report on Form 10-K.

**Goodwill**

We perform our annual goodwill impairment test as of October 1. We test goodwill for impairment at the reporting unit level annually and more often if an event occurs or circumstances change that indicate the fair value of a reporting unit is below its carrying amount. We have the option of performing a qualitative assessment of impairment to determine whether any further quantitative assessment for impairment is necessary. The option of whether or not to perform a qualitative assessment is made annually and may vary by reporting unit.

Factors we consider in the qualitative assessment include general macroeconomic conditions, industry and market conditions, cost factors, overall financial performance of our reporting units, events or changes affecting the composition or carrying amount of the net assets of our reporting units, sustained decrease in our share price, and other relevant entity-specific events. If we elect to

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bypass the qualitative assessment or if we determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, a quantitative test would be required.

We have seven reporting units: North America Payments, Integrated Solutions and Vertical Markets, United Kingdom, Asia-Pacific, Central and Eastern Europe, Russia and Spain. As of October 1, 2018, we elected to perform a qualitative assessment of impairment for each of our reporting units. We determined on the basis of qualitative factors that the fair value of each reporting unit was not more likely than not less than the respective carrying amounts. We believe that the fair value of each of our reporting units is substantially in excess of its carrying amount.

### ***Intangible and Long-lived Assets***

Other intangible assets include customer-related intangible assets (such as customer lists and merchant contracts), contract-based intangible assets (such as non-compete agreements, referral agreements and processing rights), acquired technologies and trademarks and trade names associated with business combinations. These assets are amortized over their estimated useful lives. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses, and customer attrition associated with the assets. The useful lives of contract-based intangible assets are equal to the terms of the agreements. The useful lives of amortizable trademarks and trade names are based on our plans to phase out the trademarks and trade names in the applicable markets. We use the straight-line method of amortization for our amortizable acquired technologies, trademarks and trade names and contract-based intangibles.

Amortization for most of our customer-related intangible assets is calculated using an accelerated method. In determining amortization expense under our accelerated method for any given period, we calculate the expected cash flows for that period that were used in determining the acquired value of the asset and divide that amount by the expected total cash flows over the estimated life of the asset. We multiply that percentage by the initial carrying amount of the asset to arrive at the amortization expense for that period. If the cash flow patterns that we experience differ significantly from our initial estimates, we adjust the amortization schedule prospectively. These cash flow patterns are derived using certain assumptions and cost allocations due to a significant amount of asset interdependencies that exist in our business. We believe that our accelerated method better approximates the expected distribution of cash flows generated by our acquired customer relationships. We did not make any significant adjustments to the amortization schedules of our intangible assets during the year ended December 31, 2018.

We regularly evaluate whether events and circumstances have occurred that indicate the carrying amount of property and equipment and finite-life intangible assets may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, we assess the potential impairment by determining whether the carrying amount of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. If the carrying amount of the asset is determined not to be recoverable and exceeds its fair value, an impairment loss is recorded, measured as the difference between the fair value and the carrying amount. Fair values are determined based on quoted market prices or discounted cash flow analysis as applicable. We regularly evaluate whether events and circumstances have occurred that indicate the useful lives of property and equipment and finite-life intangible assets may warrant revision.

### ***Capitalization of Internal-Use Software***

We develop software that is used in providing services to customers. Capitalization of internal-use software, primarily associated with operating platforms, occurs when we have completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. The preliminary project stage consists of the conceptual formulation of alternatives, the evaluation of alternatives, the determination of existence of needed technology and the final selection of alternatives. Costs incurred during the preliminary project stage are expensed as incurred. Currently unforeseen circumstances in software development, such as a significant change in the manner in which the software is intended to be used, obsolescence or a significant reduction in revenues due to merchant attrition, could require us to implement alternative plans with respect to a particular effort, which could result in the impairment of previously capitalized software development costs. The carrying amount of internal-use software, including work-in-progress, at December 31, 2018 was \$404.6 million. Costs capitalized during the year ended December 31, 2018, the year ended December 31, 2017, the 2016 fiscal transition period and the year ended May 31, 2016 totaled \$97.9 million, \$79.3 million, \$37.7 million and \$36.5 million, respectively. Internal-use software is amortized over its estimated useful life, which is typically 2 to 10 years, in a manner that best reflects the pattern of economic use of the assets.

## ***Income Taxes***

We determine our provision for income taxes using management's judgments, estimates and the interpretation and application of complex tax laws in each of the jurisdictions in which we operate. Judgment is also required in assessing the timing and amounts of deductible and taxable items. These differences result in deferred tax assets and liabilities in our consolidated balance sheet.

Accounting Standards Codification ("ASC") Topic 740, "Income Taxes" ("ASC 740") requires companies to recognize the effect of tax law changes in the period of enactment. To address the application of GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed in reasonable detail to complete the accounting for certain income tax effects of the 2017 U.S. Tax Act, which was enacted on December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), which in March 2018 was codified by the FASB in ASC 740. SAB 118 provides guidance for registrants regarding the application of ASC Topic 740 in the reporting period that includes December 22, 2017, including reporting provisional amounts for those specific income tax effects of the 2017 U.S. Tax Act for which the accounting is incomplete but a reasonable estimate can be determined. In addition, SAB 118 requires provisional amounts or adjustments to provisional amounts identified in the measurement period, as defined, to be included as an adjustment to tax expense or benefit from continuing operations in the period the amounts are determined.

As a result of the enactment of the 2017 U.S. Tax Act, our income tax benefit for the year ended December 31, 2017 included a net benefit of \$158.7 million, reflecting provisional amounts for specific income tax effects as a result of the enactment of the 2017 U.S. Tax Act for which our accounting was incomplete but could be reasonably estimated as of December 31, 2017. During the year ended December 31, 2018, we continued to analyze our foreign tax pools and resulting foreign tax credits and reduced the estimated transition tax liability, which resulted in an income tax benefit of \$23.3 million. As of December 31, 2018, we have completed our accounting for the transition effects of the 2017 U.S. Tax Act.

We believe our tax return positions are fully supportable; however, we recognize the benefit for tax positions only when it is more likely than not that the position will be sustained based on its technical merits. Issues raised by a tax authority may be resolved at an amount different than the related benefit recognized. When facts and circumstances change (including an effective settlement of an issue or statute of limitations expiration), the effect is recognized in the period of change. The unrecognized tax benefits that exist at December 31, 2018 would affect our provision for income taxes in the future, if recognized. Judgment is required to determine whether or not some portion or all of our deferred tax assets will not be realized. To the extent we determine that we will not realize the benefit of some or all of our deferred tax assets, then these deferred tax assets are adjusted through our provision for income taxes in the period in which this determination is made.

### ***Effect of New Accounting Pronouncements - Recently Issued Pronouncements Not Yet Adopted***

As more fully described in "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" in the notes to the accompanying consolidated financial statements, effective January 1, 2019, we will adopt a new lease accounting standard that requires lessees to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. The application of the new lease accounting standard will also require several new disclosures. We have made substantial progress in the execution of our implementation plan, and we are substantially complete with our evaluation of the effect of ASU 2016-02 on our consolidated financial statements. We currently estimate that we will recognize lease liabilities on the balance sheet of approximately \$275 million at adoption for our operating leases. We expect right of use assets will be approximately \$235 million, reflecting adjustments for the net amount of lease-related items previously recognized on the balance sheet. We do not expect adoption to have a material effect on any line items in our consolidated statement of income or on our cash flows from operating activities, investing activities or financing activities included in our consolidated statement of cash flows.

Refer to "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" in the notes to the accompanying consolidated financial statements for additional information on the new lease accounting standard and other recently issued accounting pronouncements not yet adopted.

## ITEM 7A - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Foreign Currency Exchange Rate Risk

Certain of our operations are conducted in foreign currencies. Consequently, a portion of our revenues and expenses may be affected by fluctuations in foreign currency exchange rates. We have not historically hedged our translation risk on foreign currency exposure, but we may do so in the future. For the years ended December 31, 2018 and 2017 and the 2016 fiscal transition period, currency rate fluctuations calculated by converting revenues and expenses for the current year in local currency using the prior-year period rates had an immaterial effect on our revenues and operating income. For the year ended May 31, 2016, currency rate fluctuations reduced our revenues by \$117.0 million and our operating income by \$43.6 million as compared to the prior-year period, calculated by converting revenues and expenses for the year ended May 31, 2016 in local currency using prior-year period rates.

Generally, the functional currency of our various subsidiaries is their local currency. We are exposed to currency fluctuations on transactions that are not denominated in the functional currency. Gains and losses on such transactions are included in determining net income for the period. We seek to mitigate our foreign currency risk through timely settlement of transactions and cash flow matching, when possible. For the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016, our transaction gains and losses were insignificant.

Additionally, we are affected by currency fluctuations in our funds settlement process on merchant payment, chargeback and card network settlement transactions that are not denominated in the currency of the underlying credit or debit card transaction. Gains and losses on these transactions are included in revenues for the period.

We are also affected by fluctuations in exchange rates on our investments in foreign operations. Relative to our net investment in foreign operations, the assets and liabilities of subsidiaries whose functional currency is a foreign currency are translated at the period-end rate of exchange. The resulting translation adjustment is recorded as a component of other comprehensive income and is included in shareholders' equity. Transaction gains and losses on intercompany balances of a long-term investment nature are also recorded as a component of other comprehensive income.

### Interest Rate Risk

We are exposed to market risk related to changes in interest rates on our long-term debt and cash investments. We invest our excess cash in securities that we believe are highly liquid and marketable in the short term. These investments earn a floating rate of interest and are not held for trading or other speculative purposes.

We have a Credit Facility for general corporate purposes, as well as various lines of credit that we use to fund settlement in certain of our markets. Interest rates on these debt instruments and settlement lines of credit are based on market rates and fluctuate accordingly. As of December 31, 2018, the amount outstanding under these variable-rate debt arrangements and settlement lines of credit was \$5.9 billion.

The interest earned on our invested cash and the interest paid on our debt are based on variable interest rates; therefore, the exposure of our net income to a change in interest rates is partially mitigated as an increase in rates would increase both interest income and interest expense, and a reduction in rates would decrease both interest income and interest expense. Under our current policies, we may selectively use derivative instruments, such as interest rate swaps or forward rate agreements, to manage all or a portion of our exposure to interest rate changes. We have interest rate swaps that reduce a portion of our exposure to market interest rate risk on our LIBOR-based debt as discussed in "Note 8—Long-Term Debt and Lines of Credit" in the notes to our accompanying consolidated financial statements.

Based on balances outstanding under variable-rate debt agreements and invested cash balances at December 31, 2018, a hypothetical increase of 50 basis points in applicable interest rates as of December 31, 2018 would increase our annual interest expense by approximately \$17.5 million and increase our annual interest income by approximately \$3.3 million.

**ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the shareholders and the Board of Directors of Global Payments Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Global Payments Inc. and subsidiaries (the "Company") as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2018, of the Company and our report dated February 21, 2019, expressed an unqualified opinion on those financial statements and included an emphasis of a matter paragraph regarding the Company's change of its fiscal year end from May 31 to December 31, in 2016, and an explanatory paragraph regarding the Company's change in its method of accounting for revenue from contracts with customers in fiscal year 2018, due to the adoption of ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. As described in Management's Report on Internal Control over Financial Reporting, management excluded from its assessment a portion of the internal control over financial reporting at AdvancedMD, Inc. ("AdvancedMD"), which was acquired on September 4, 2018, and SICOM Systems, Inc. ("SICOM"), which was acquired on October 17, 2018. AdvancedMD and SICOM's combined financial statements constitute less than 2% of consolidated revenues and approximately 5% of consolidated assets (excluding goodwill related to the transactions which were integrated into the Company's systems and control environment), as of and for the year ended December 31, 2018. AdvancedMD and SICOM did not contribute to net income for the year ended December 31, 2018. Accordingly, our audit did not include the internal control over financial reporting at AdvancedMD and SICOM that is excluded from management's assessment.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

February 21, 2019



## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Global Payments Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Global Payments Inc. and subsidiaries (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the years ended December 31, 2018 and 2017, the seven months ended December 31, 2016, and the year ended May 31, 2016, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years ended December 31, 2018 and 2017, the seven months ended December 31, 2016, and the year ended May 31, 2016, in conformity with the applicable accounting principles generally accepted in the United States of America. We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2018, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 21, 2019 expressed an unqualified opinion on the Company's internal control over financial reporting.

### Emphasis of Matter

As discussed in Note 1 to the consolidated financial statements, the Company changed its fiscal year end from May 31 to December 31 in 2016.

### Change in Accounting Principle

As discussed in Note 1 to the consolidated financial statements, the Company has changed its method of accounting for revenue from contracts with customers in fiscal year 2018 due to the adoption of Accounting Standards Codification Topic 606, *Revenue from Contracts with Customers*.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia

February 21, 2019

We have served as the Company's auditors since 2002.

**GLOBAL PAYMENTS INC.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(in thousands, except per share data)

	Years Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
Revenues	\$ 3,366,366	\$ 3,975,163	\$ 2,202,896	\$ 2,898,150
Operating expenses:				
Cost of service	1,095,014	1,928,037	1,094,593	1,147,639
Selling, general and administrative	1,534,297	1,488,258	870,352	1,325,567
	<u>2,629,311</u>	<u>3,416,295</u>	<u>1,964,945</u>	<u>2,473,206</u>
Operating income	<u>737,055</u>	<u>558,868</u>	<u>237,951</u>	<u>424,944</u>
Interest and other income	20,719	8,662	44,382	5,284
Interest and other expense	(195,619)	(174,847)	(108,989)	(69,316)
	<u>(174,900)</u>	<u>(166,185)</u>	<u>(64,607)</u>	<u>(64,032)</u>
Income before income taxes	562,155	392,683	173,344	360,912
Income tax (provision) benefit	(77,488)	101,387	(35,661)	(70,695)
Net income	<u>484,667</u>	<u>494,070</u>	<u>137,683</u>	<u>290,217</u>
Less: Net income attributable to noncontrolling interests	(32,614)	(25,645)	(12,752)	(18,551)
Net income attributable to Global Payments	<u>\$ 452,053</u>	<u>\$ 468,425</u>	<u>\$ 124,931</u>	<u>\$ 271,666</u>
<b>Earnings per share attributable to Global Payments:</b>				
Basic earnings per share	<u>\$ 2.85</u>	<u>\$ 3.03</u>	<u>\$ 0.81</u>	<u>\$ 2.05</u>
Diluted earnings per share	<u>\$ 2.84</u>	<u>\$ 3.01</u>	<u>\$ 0.81</u>	<u>\$ 2.04</u>

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(in thousands)

	Years Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
Net income	\$ 484,667	\$ 494,070	\$ 137,683	\$ 290,217
Other comprehensive income (loss):				
Foreign currency translation adjustments	(118,439)	146,401	(92,229)	(55,858)
Income tax provision related to foreign currency translation adjustments	(832)	—	—	—
Net unrealized gains (losses) on hedging activities	(7,553)	4,549	5,532	(12,859)
Reclassification of net unrealized (gains) losses on hedging activities to interest expense	(4,792)	5,673	4,222	8,240
Income tax benefit (provision) related to hedging activities	2,972	(2,583)	(3,639)	1,738
Other, net of tax	760	(660)	1,030	(848)
Other comprehensive income (loss)	(127,884)	153,380	(85,084)	(59,587)
Comprehensive income	356,783	647,450	52,599	230,630
Less: comprehensive income attributable to noncontrolling interests	(29,918)	(39,452)	(4,335)	(19,022)
Comprehensive income attributable to Global Payments	<u>\$ 326,865</u>	<u>\$ 607,998</u>	<u>\$ 48,264</u>	<u>\$ 211,608</u>

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**  
**CONSOLIDATED BALANCE SHEETS**  
(in thousands, except share data)

	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 1,210,878	\$ 1,335,855
Accounts receivable, net of allowances for doubtful accounts of \$3,164 and \$1,827, respectively	348,400	301,887
Settlement processing assets	1,600,222	2,459,292
Prepaid expenses and other current assets	216,708	206,545
Total current assets	<u>3,376,208</u>	<u>4,303,579</u>
Goodwill	6,341,355	5,703,992
Other intangible assets, net	2,488,618	2,181,707
Property and equipment, net	653,542	588,348
Deferred income taxes	8,128	13,146
Other noncurrent assets	362,923	207,297
Total assets	<u>\$ 13,230,774</u>	<u>\$ 12,998,069</u>
<b>LIABILITIES AND EQUITY</b>		
Current liabilities:		
Settlement lines of credit	\$ 700,486	\$ 635,166
Current portion of long-term debt	115,075	100,308
Accounts payable and accrued liabilities	1,176,703	1,039,607
Settlement processing obligations	1,276,356	2,040,509
Total current liabilities	<u>3,268,620</u>	<u>3,815,590</u>
Long-term debt	5,015,168	4,559,408
Deferred income taxes	585,025	436,879
Other noncurrent liabilities	175,618	220,961
Total liabilities	<u>9,044,431</u>	<u>9,032,838</u>
Commitments and contingencies		
Equity:		
Preferred stock, no par value; 5,000,000 shares authorized and none issued	—	—
Common stock, no par value; 200,000,000 shares authorized; 157,961,982 issued and outstanding at December 31, 2018 and 159,180,317 issued and outstanding at December 31, 2017	—	—
Paid-in capital	2,235,167	2,379,774
Retained earnings	2,066,415	1,597,897
Accumulated other comprehensive loss	(310,175)	(183,144)
Total Global Payments shareholders' equity	<u>3,991,407</u>	<u>3,794,527</u>
Noncontrolling interests	194,936	170,704
Total equity	<u>4,186,343</u>	<u>3,965,231</u>
Total liabilities and equity	<u>\$ 13,230,774</u>	<u>\$ 12,998,069</u>

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
Cash flows from operating activities:				
Net income	\$ 484,667	\$ 494,070	\$ 137,683	\$ 290,217
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization of property and equipment	145,128	113,273	53,242	74,192
Amortization of acquired intangibles	377,685	337,878	194,329	113,689
Share-based compensation expense	57,826	39,095	18,707	30,809
Provision for operating losses and bad debts	43,237	48,443	24,074	27,202
Amortization of capitalized customer acquisition costs	51,541	45,098	14,982	1,776
Deferred income taxes	(1,451)	(250,670)	(33,523)	(18,162)
Gain on sale of investments	—	—	(41,150)	—
Other, net	(8,025)	44,070	32,718	15,370
Changes in operating assets and liabilities, net of the effects of business combinations:				
Accounts receivable	(33,386)	(14,096)	2,189	(14,542)
Settlement processing assets and obligations, net	83,478	(361,673)	35,599	218,061
Prepaid expenses and other assets	(160,800)	(129,427)	(44,164)	(64,216)
Accounts payable and other liabilities	66,182	146,327	121,140	(81,506)
Net cash provided by operating activities	1,106,082	512,388	515,826	592,890
Cash flows from investing activities:				
Business combinations and other acquisitions, net of cash acquired	(1,259,692)	(562,688)	(33,865)	(2,034,406)
Capital expenditures	(213,290)	(181,905)	(88,913)	(91,591)
Net proceeds from sale of investments	—	—	37,717	—
Net proceeds from sales of property and equipment	—	37,565	—	—
Other, net	(3,305)	(28,997)	(1,622)	(1,251)
Net cash used in investing activities	(1,476,287)	(736,025)	(86,683)	(2,127,248)
Cash flows from financing activities:				
Net proceeds from (repayments of) settlement lines of credit	70,783	221,532	20,582	(206,009)
Proceeds from long-term debt	2,774,214	1,994,324	1,299,000	6,078,230
Repayments of long-term debt	(2,304,314)	(1,781,541)	(1,381,161)	(3,691,608)
Payment of debt issuance costs	(16,345)	(9,520)	(9,279)	(63,382)
Repurchase of common stock	(208,198)	(34,811)	(178,165)	(135,954)
Proceeds from stock issued under share-based compensation plans	14,318	10,115	6,093	8,480
Common stock repurchased - share-based compensation plans	(31,510)	(31,761)	(20,390)	(12,236)
Purchase of subsidiary shares from noncontrolling interest	—	—	—	(7,550)
Proceeds from sale of subsidiary shares to noncontrolling interest	—	—	—	16,374
Distributions to noncontrolling interests	(5,686)	(9,301)	(12,365)	(23,308)
Dividends paid	(6,332)	(6,732)	(3,069)	(5,439)
Net cash provided by (used in) financing activities	286,930	352,305	(278,754)	1,957,598
Effect of exchange rate changes on cash	(41,702)	44,408	(32,338)	(29,251)
Increase (decrease) in cash and cash equivalents	(124,977)	173,076	118,051	393,989
Cash and cash equivalents, beginning of the period	1,335,855	1,162,779	1,044,728	650,739
Cash and cash equivalents, end of the period	\$ 1,210,878	\$ 1,335,855	\$ 1,162,779	\$ 1,044,728

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(in thousands, except per share data)

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Global Payments Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2017	159,180	\$ 2,379,774	\$ 1,597,897	\$ (183,144)	\$ 3,794,527	\$ 170,704	\$ 3,965,231
Cumulative effect of adoption of new accounting standards			50,969	(1,843)	49,126		49,126
Net income			452,053		452,053	32,614	484,667
Other comprehensive loss				(125,188)	(125,188)	(2,696)	(127,884)
Stock issued under share-based compensation plans	988	14,318			14,318		14,318
Common stock repurchased - share-based compensation plans	(279)	(32,727)			(32,727)		(32,727)
Share-based compensation expense		57,826			57,826		57,826
Distributions to noncontrolling interest						(5,686)	(5,686)
Repurchase of common stock	(1,927)	(184,024)	(28,172)		(212,196)		(212,196)
Dividends paid (\$0.04 per share)			(6,332)		(6,332)		(6,332)
Balance at December 31, 2018	<u>157,962</u>	<u>\$ 2,235,167</u>	<u>\$ 2,066,415</u>	<u>\$ (310,175)</u>	<u>\$ 3,991,407</u>	<u>\$ 194,936</u>	<u>\$ 4,186,343</u>

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Global Payments Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at December 31, 2016	152,186	\$ 1,816,278	\$ 1,137,230	\$ (322,717)	\$ 2,630,791	\$ 148,551	\$ 2,779,342
Net income			468,425		468,425	25,645	494,070
Other comprehensive income				139,573	139,573	13,807	153,380
Stock issued under share-based compensation plans	1,350	10,115			10,115		10,115
Common stock repurchased - share-based compensation plans	(338)	(32,006)			(32,006)		(32,006)
Share-based compensation expense		39,095			39,095		39,095
Issuance of common stock in connection with a business combination	6,358	572,079			572,079		572,079
Dissolution of a subsidiary			7,998		7,998	(7,998)	—
Distributions to noncontrolling interests						(9,301)	(9,301)
Repurchase of common stock	(376)	(25,787)	(9,024)		(34,811)		(34,811)
Dividends paid (\$0.04 per share)			(6,732)		(6,732)		(6,732)
Balance at December 31, 2017	<u>159,180</u>	<u>\$ 2,379,774</u>	<u>\$ 1,597,897</u>	<u>\$ (183,144)</u>	<u>\$ 3,794,527</u>	<u>\$ 170,704</u>	<u>\$ 3,965,231</u>

*See Notes to Consolidated Financial Statements.*

**GLOBAL PAYMENTS INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(in thousands, except per share data)

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Global Payments Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at May 31, 2016	154,422	\$ 1,976,715	\$ 1,015,811	\$ (246,050)	\$ 2,746,476	\$ 130,928	\$ 2,877,404
Net income			124,931		124,931	12,752	137,683
Other comprehensive loss				(76,667)	(76,667)	(8,417)	(85,084)
Stock issued under share-based compensation plans	549	6,093			6,093		6,093
Common stock repurchased - share-based compensation plans	(267)	(20,532)			(20,532)		(20,532)
Tax benefit from share-based compensation plans		13,017			13,017		13,017
Share-based compensation expense		18,707			18,707		18,707
Contribution of subsidiary shares to noncontrolling interest related to a business combination						25,653	25,653
Distributions to noncontrolling interests						(12,365)	(12,365)
Repurchase of common stock	(2,518)	(177,722)	(443)		(178,165)		(178,165)
Dividends paid (\$0.02 per share)			(3,069)		(3,069)		(3,069)
Balance at December 31, 2016	<u>152,186</u>	<u>\$ 1,816,278</u>	<u>\$ 1,137,230</u>	<u>\$ (322,717)</u>	<u>\$ 2,630,791</u>	<u>\$ 148,551</u>	<u>\$ 2,779,342</u>

	Number of Shares	Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Global Payments Shareholders' Equity	Noncontrolling Interests	Total Equity
Balance at May 31, 2015	130,558	\$ 148,742	\$ 795,226	\$ (185,992)	\$ 757,976	\$ 105,577	\$ 863,553
Net income			271,666		271,666	18,551	290,217
Other comprehensive (loss) income				(60,058)	(60,058)	471	(59,587)
Stock issued under share-based compensation plans	591	8,480			8,480		8,480
Common stock repurchased - share-based compensation plans	(220)	(12,193)			(12,193)		(12,193)
Tax benefit from share-based compensation plans		7,889			7,889		7,889
Share-based compensation expense		30,809			30,809		30,809
Issuance of common stock in connection with a business combination	25,645	1,879,458			1,879,458		1,879,458
Purchase of subsidiary shares from noncontrolling interest		(11)			(11)	(7,539)	(7,550)
Sale of subsidiary shares to noncontrolling interest						16,374	16,374
Distributions to noncontrolling interests						(23,308)	(23,308)
Contribution of subsidiary shares to noncontrolling interest related to a business combination		3,853			3,853	20,802	24,655
Repurchase of common stock	(2,152)	(90,312)	(45,642)		(135,954)		(135,954)
Dividends paid (\$0.04 per share)			(5,439)		(5,439)		(5,439)
Balance at May 31, 2016	<u>154,422</u>	<u>\$ 1,976,715</u>	<u>\$ 1,015,811</u>	<u>\$ (246,050)</u>	<u>\$ 2,746,476</u>	<u>\$ 130,928</u>	<u>\$ 2,877,404</u>

*See Notes to Consolidated Financial Statements.*

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### NOTE 1—BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Business, consolidation and presentation*— We are a leading worldwide provider of payment technology and software services delivering innovative solutions to our customers globally. Our technologies, services and employee expertise enable us to provide a broad range of solutions that allow our customers to accept various payment types and operate their businesses more efficiently. We distribute our services across a variety of channels in 32 countries throughout North America, Europe, the Asia-Pacific region and Brazil and operate in three reportable segments: North America, Europe and Asia-Pacific.

We were incorporated in Georgia as Global Payments Inc. in 2000 and spun-off from our former parent company in 2001. Including our time as part of our former parent company, we have been in the payment technology services business since 1967. Global Payments Inc. and its consolidated subsidiaries are referred to collectively as "Global Payments," the "Company," "we," "our" or "us," unless the context requires otherwise.

These consolidated financial statements include our accounts and those of our majority-owned subsidiaries and all intercompany balances and transactions have been eliminated in consolidation. These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States ("GAAP"). On July 27, 2016, the board of directors authorized a change in our fiscal year end from May 31 to December 31. We refer to the period consisting of the seven months ended December 31, 2016 as the "2016 fiscal transition period."

*Use of estimates*— The preparation of financial statements in conformity with GAAP requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reported period. Actual results could differ materially from those estimates.

*Recently Adopted Accounting Pronouncements and Rules Issued by the U.S. Securities and Exchange Commission (the "SEC")*—We adopted Accounting Standards Update ("ASU") 2014-09, "Revenues from Contracts with Customers (Topic 606)" as well as other clarifications and technical guidance issued by the Financial Accounting Standards Board ("FASB") related to this new revenue standard ("ASC 606") and ASC Subtopic 340-40: "Other Assets and Deferred Costs - Contracts with Customers" ("ASC 340-40") on January 1, 2018. We elected the modified retrospective transition method, which resulted in a net increase to retained earnings of \$51.0 million for the cumulative effect of applying the standard. The primary components of the cumulative-effect adjustment were changes in the accounting for certain costs to obtain customer contracts and the related income tax effects, which resulted in increases to other noncurrent assets and deferred income tax liabilities of \$64.6 million and \$15.6 million, respectively. Previously, we amortized these assets to expense over the related contract term. Under ASC 340-40, we now amortize these assets over the expected period of benefit, which is generally longer than the initial contract term. Under the new standard, we also capitalized certain costs that were not previously capitalized, including certain commissions and the related payroll taxes and certain costs incurred to fulfill a contract before the performance obligation has been satisfied, primarily compensation and related payroll taxes for employees engaged in customer implementation activities in our technology-enabled businesses.

Prior to the adoption of ASC 606, we presented payments made to certain third parties, including payment networks, as a component of operating expenses. For the year ended December 31, 2018, we presented revenue net of these third-party payments. This change in presentation had the effect of reducing our revenues and operating expenses by the same amounts. As a result, revenues, cost of service and selling, general and administrative expenses were lower than the amounts that would have been presented if not for the effect of the new revenue accounting standard by \$1,110.8 million, \$1,042.9 million and \$67.9 million, respectively, for the year ended December 31, 2018. The adoption of ASC 606 did not have a material effect on any other line items in our consolidated statement of income for year ended December 31, 2018 or on any other line items in our consolidated balance sheet as of December 31, 2018 and had no effect on our cash flows from operating activities, investing activities or financing activities included in our consolidated statement of cash flows for the year ended December 31, 2018.

In October 2018, the FASB issued ASU 2018-16, "Derivatives and Hedging (Topic 815): *Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes.*" ASU 2018-16 provides for the use of the Overnight Index Swap ("OIS") rate based on Secured Overnight Financing Rate as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815. In addition to the interest rates on direct Treasury obligations



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of the U.S. government, the London Interbank Offered Rate ("LIBOR") Swap Rate, the OIS rate based on the Fed Funds Effective Rate and the Securities Industry and Financial Markets Association Municipal Swap Rate are also permitted. We adopted ASU 2018-16 with no effect on our consolidated financial statements.

In August 2018, the SEC issued a final rule that amends certain of its disclosure requirements. The changes are generally intended to reduce or eliminate certain disclosures that have become redundant, duplicative, overlapping, outdated or superseded in light of other disclosures requirements or changes in the information environment. The rule also requires SEC registrants to present changes in stockholders' equity and the amount of dividends per share for each class of shares on a quarterly basis for the current and prior-year periods. The final rule was effective for SEC filings on Forms 10-Q and 10-K made on or after November 5, 2018. As a result, we have reduced or eliminated certain disclosures in this Annual Report on Form 10-K for the year ended December 31, 2018, as permitted, and we will present the quarterly changes in 2019.

In February 2018, the FASB issued ASU 2018-02, "Income Statement-Reporting Comprehensive Income: *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*." ASU 2018-02 provides an option to reclassify stranded tax effects within accumulated other comprehensive income ("AOCI") to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the U.S. Tax Cuts and Jobs Act of 2017 (the "2017 U.S. Tax Act") is recorded. We adopted this ASU during 2018 and elected the option to reclassify stranded tax effects within AOCI to retained earnings in the period of adoption with no material effect on our consolidated financial statements. Under this transition method, we did not recast the prior-period financial statements presented.

In August 2017, the FASB issued ASU 2017-12, "Derivatives and Hedging (Topic 815): *Targeted Improvements to Accounting for Hedging Activities*." ASU 2017-12 expands and refines hedge accounting for both nonfinancial and financial risk components and aligns the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. In addition, the amendments in this update modify disclosure requirements for presentation of hedging activities. Those modifications include a tabular disclosure related to the effect on the income statement of fair value and cash flow hedges and eliminate the requirement to disclose the ineffective portion of the change in fair value of hedging instruments, if any. We adopted ASU 2017-12 on January 1, 2018 with no effect on our consolidated financial statements, except required revisions to our disclosures.

In January 2017, the FASB issued ASU 2017-01, "Business Combinations (Topic 805): *Clarifying the Definition of a Business*." ASU 2017-01 clarifies the definition of a business, which affects many areas of accounting including acquisitions, disposals, goodwill and consolidation. The new standard is intended to help companies and other organizations evaluate whether transactions should be accounted for as acquisitions (or disposals) of assets or businesses, with the expectation that fewer will qualify as acquisitions (or disposals) of businesses. ASU 2017-01 became effective for us on January 1, 2018. These amendments have been applied prospectively from the date of adoption. We applied the clarified definition of a business to the business combinations we completed in 2018 with no effect on our consolidated financial statements.

In October 2016, the FASB issued ASU 2016-16, "Income Taxes (Topic 740): *Intra-Entity Transfers of Assets Other Than Inventory*." The amendments in this update state that an entity should recognize the income tax consequences of an intra-entity transfer of an asset other than inventory, such as intellectual property and property and equipment, when the transfer occurs. We adopted ASU 2016-16 on January 1, 2018 using the modified retrospective transition method with no material effect on our consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, "Financial Instruments - Overall (Subtopic 825-10): *Recognition and Measurement of Financial Assets and Financial Liabilities*," which was further clarified in ASU 2018-03, issued by the FASB in February 2018. The amendments in ASU 2016-01 and ASU 2018-03 address certain aspects of recognition, measurement, presentation and disclosure of financial instruments. The amendments supersede the guidance to classify equity securities with readily determinable fair values into different categories (that is, trading or available-for-sale) and require equity securities (including other ownership interests, such as partnerships, unincorporated joint ventures and limited liability companies) to be measured at fair value with changes in the fair value recognized through earnings. Equity investments that are accounted for under the equity method of accounting or result in consolidation of an investee are not included within the scope of this update. The amendments allow equity investments that do not have readily determinable fair values to be remeasured at fair value either upon the occurrence of an observable price change or upon identification of an impairment. The amendments also require enhanced disclosures about those investments. We adopted ASU 2016-01 on January 1, 2018 using the modified retrospective transition

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method and elected to account for certain of our equity investments that have no readily determinable fair value using the alternative cost method, which had no effect on our consolidated financial statements.

*Revenue recognition*— Our payment services customers contract with us for payment services, which we provide in exchange for consideration for completed transactions. Our payment solutions are similar around the world in that we enable our customers to accept card, electronic, check and digital-based payments. Our comprehensive offerings include, but are not limited to, authorization services, settlement and funding services, customer support and help-desk functions, chargeback resolution, payment security services, consolidated billing and statements and on-line reporting. In addition, we may sell or rent point-of-sale terminals or other equipment to customers.

On January 1, 2018, we adopted ASC 606. Pursuant to ASC 606, at contract inception, we assess the goods and services promised in our contracts with customers and identify a performance obligation for each promise to transfer to the customer a good or service that is distinct. For our payment services specifically, the nature of our promise to the customer is that we stand ready to process transactions the customer requests on a daily basis over the contract term. Since the timing and quantity of transactions to be processed by us is not determinable, we view payment services to comprise an obligation to stand ready to process as many transactions as the customer requests. Under a stand-ready obligation, the evaluation of the nature of our performance obligation is focused on each time increment rather than the underlying activities. Therefore, we view payment services to comprise a series of distinct days of service that are substantially the same and have the same pattern of transfer to the customer. Accordingly, the promise to stand ready is accounted for as a single-series performance obligation.

In order to provide our payment services, we route and clear each transaction through the applicable payment network. We obtain authorization for the transaction and request funds settlement from the card issuing financial institution through the payment network. When third parties are involved in the transfer of goods or services to our customer, we consider the nature of each specific promised good or service and apply judgment to determine whether we control the good or service before it is transferred to the customer or whether we are acting as an agent of the third party. To determine whether or not we control the good or service before it is transferred to the customer, we assess indicators including whether we or the third party is primarily responsible for fulfillment and which party has discretion in determining pricing for the good or service, as well as other considerations. Based on our assessment of these indicators, we have concluded that our promise to our customer to provide our payment services is distinct from the services provided by the card issuing financial institutions and payment networks in connection with payment transactions. We do not have the ability to direct the use of and obtain substantially all of the benefits of the services provided by the card issuing financial institutions and payment networks before those services are transferred to our customer, and on that basis, we do not control those services prior to being transferred to our customer. As a result, upon adoption of ASC 606, we present our revenue net of the interchange fees charged by the card issuing financial institutions and the fees charged by the payment networks.

The majority of our payment services are priced as a percentage of transaction value or a specified fee per transaction, depending on the card type. We also charge other per occurrence fees based on specific services that may be unrelated to the number of transactions or transaction value. Given the nature of the promise and the underlying fees based on unknown quantities or outcomes of services to be performed over the contract term, the total consideration is determined to be variable consideration. The variable consideration for our payment service is usage-based and, therefore, it specifically relates to our efforts to satisfy our payment services obligation. The variability is satisfied each day the service is provided to the customer. We directly ascribe variable fees to the distinct day of service to which it relates, and we consider the services performed each day in order to ascribe the appropriate amount of total fees to that day. Therefore, we measure revenue for our payment service on a daily basis based on the services that are performed on that day.

Certain of our technology-enabled customer arrangements contain multiple promises, such as payment services, perpetual software licenses, software-as-a-service ("SaaS"), maintenance, installation services, training and equipment, each of which is evaluated to determine whether it represents a separate performance obligation. SaaS arrangements are generally offered on a subscription basis, providing the customers with access to the SaaS platform along with general support and maintenance services. Because these promised services within our SaaS arrangements are delivered concurrently over the contract term, we account for these promises as if they are a single performance obligation that includes a series of distinct services with the same pattern of transfer to the customer. In addition, certain installation services are not considered distinct from the SaaS and are recognized over the expected period of benefit.

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Once we determine the performance obligations and the transaction price, including an estimate of any variable consideration, we then allocate the transaction price to each performance obligation in the contract using a relative standalone selling price method. We determine standalone selling price based on the price at which the good or service is sold separately. If the standalone selling price is not observable through past transactions, we estimate the standalone selling price by considering all reasonably available information, including market conditions, trends or other company- or customer-specific factors. Substantially all of the performance obligations described above are satisfied over time. The performance obligations associated with equipment sales, perpetual software licenses and certain professional services are generally satisfied at a point in time when they are transferred to the customer. For certain other professional services that represent separate performance obligations, we generally use the input method and recognize revenue based on the number of hours incurred or services performed to date in relation to the total services expected to be required to satisfy the performance obligation.

We satisfy the combined SaaS performance obligation by standing ready to provide access to the SaaS. Consideration for SaaS arrangements may consist of fixed- or usage-based fees. Revenue is recognized over the period for which the services are provided or by directly ascribing any variable fees to the distinct day of service based on the services that are performed on that day.

For periods prior to our adoption of ASC 606, we recognized revenue when services were performed. For arrangements with multiple elements, such as equipment, perpetual licenses, SaaS, maintenance, installation and training, we allocated consideration to each element based on the relative-selling-price method. In multiple element arrangements where more-than-incidental software elements were included, the entire amount of revenue under the arrangement was deferred until all elements were delivered or objective evidence of the fair value of the undelivered items was established. The amounts paid in advance by customers and amounts deferred for software arrangements were reflected as unearned revenue in the consolidated balance sheets with the portion estimated to be recognized as revenue within the next twelve months reflected in current liabilities and the remainder reflected in other noncurrent liabilities.

*Cash and cash equivalents*— Cash and cash equivalents include cash on hand and all liquid investments with a maturity of three months or less when purchased. We consider certain portions of our cash and cash equivalents to be unrestricted but not available for general purposes. The amount of cash that we consider to be available for general purposes does not include the following: (i) settlement-related cash balances, (ii) funds held as collateral for merchant losses ("Merchant Reserves") and (iii) funds held for customers. Settlement-related cash balances represent funds that we hold when the incoming amount from the card networks precedes the funding obligation to the merchant. Settlement-related cash balances are not restricted; however, these funds are generally paid out in satisfaction of settlement processing obligations the following day. Merchant Reserves serve as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. We record a corresponding liability in settlement processing assets and settlement processing obligations in our consolidated balance sheet. While this cash is not restricted in its use, we believe that designating this cash as Merchant Reserves strengthens our fiduciary standing with financial institutions that sponsor us and is in accordance with guidelines set by the card networks. See "Note 4—Settlement Processing Assets and Obligations" and discussion below for further information. Funds held for customers and the corresponding liability that we record in "customer deposits" include amounts collected prior to remittance on our customers' behalf.

*Accounts receivable, contract assets and contract liabilities*— Upon adoption of ASC 606, we were required to describe our accounting policies for accounts receivable, contract assets and contract liabilities. A contract with a customer creates legal rights and obligations. As we perform under customer contracts, our right to consideration that is unconditional is considered to be accounts receivable. If our right to consideration for such performance is contingent upon a future event or satisfaction of additional performance obligations, the amount of revenues we have recognized in excess of the amount we have billed to the customer is recognized as a contract asset. Contract liabilities represent consideration received from customers in excess of revenues recognized. At December 31, 2018, contract assets and liabilities are presented net at the individual contract level in the consolidated balance sheet and are classified as current or noncurrent based on the nature of the underlying contractual rights and obligations.

*Contract Costs*— Upon adoption of ASC 340-40, we capitalize costs we incur costs to obtain contracts with customers, including employee sales commissions and fees to business partners. At contract inception, we capitalize such costs that we expect to recover and that would not have been incurred if the contract had not been obtained. We also capitalize certain costs incurred to fulfill our contracts with customers that (i) relate directly to the contract, (ii) are expected to generate resources that will be used to satisfy our performance obligation under the contract and (iii) are expected to be recovered through revenue generated under the contract. Capitalized costs to obtain and to fulfill contracts were included in other noncurrent assets as of December 31, 2018.

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Contract costs are amortized on a systematic basis consistent with the transfer to the customer of the goods or services to which the asset relates. A straight-line or proportional amortization method is used depending upon which method best depicts the pattern of transfer of the goods or services to the customer. We evaluate contract costs for impairment by comparing, on a pooled basis, the expected future net cash flows from underlying customer relationships to the carrying amount of the capitalized contract costs.

We amortize these assets over the expected period of benefit, which, based on the factors noted above, is typically seven years. In order to determine the appropriate amortization period for capitalized contract costs, we consider a combination of factors, including customer attrition rates, estimated terms of customer relationships, the useful lives of technology we use to provide goods and services to our customers, whether future contract renewals are expected and if there is any incremental commission to be paid associated with a contract renewal. Costs to obtain a contract with an expected period of benefit of one year or less are recognized as an expense when incurred.

Prior to our adoption of ASC 606, we capitalized certain customer acquisition costs, which were included in other noncurrent assets. Capitalized customer acquisition costs consisted of (1) up-front signing bonus payments made to certain salespersons for the establishment of certain of our new merchant relationships and (2) a deferred acquisition cost representing the estimated cost of buying out the residual commissions of certain vested salespersons. Capitalized customer acquisition costs represented incremental, direct customer acquisition costs that were recoverable through merchant profitability. The capitalized customer acquisition costs were amortized using a method which approximated a proportional revenue approach over the initial term of the related merchant contract. Up-front signing bonuses paid for certain new accounts were based on the estimated profitability for the first year of the merchant contract. The signing bonus, amount capitalized, and related amortization were adjusted after the first year to reflect the actual profitability generated by the merchant contract during that year. The deferred customer acquisition cost asset was accrued over the first year of merchant processing, consistent with the build-up in the accrued buyout liability, as described below.

Settlement processing assets and obligations— Settlement processing assets and obligations represent intermediary balances arising in our settlement process. In accordance with ASC Subtopic 210-20, "Offsetting," we apply offsetting to our settlement processing assets and obligations where a right of setoff exists. See "Note 4—Settlement Processing Assets and Obligations" for further information.

Reserve for operating losses— Our merchant customers are liable for any charges or losses that occur under the merchant agreement. We experience losses in our card processing services when we are unable to collect amounts from merchant customers for any charges properly reversed by the card issuing financial institutions. When we are not able to collect these amounts from the merchants due to merchant fraud, insolvency, bankruptcy or any other reason, we may be liable for the reversed charges. We require cash deposits, guarantees, letters of credit and other types of collateral from certain merchants to minimize any such contingent liability, and we also utilize a number of systems and procedures to manage merchant risk. We experience check guarantee losses when we are unable to collect the full amount of a guaranteed check from the checkwriter. We refer to both merchant credit losses and check guarantee losses as "operating losses." We record an estimated liability for operating losses comprised of estimated known losses and estimated incurred but not reported losses.

Property and equipment— Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization are calculated using the straight-line method. Leasehold improvements are amortized over the lesser of the remaining term of the lease and the useful life of the asset.

We develop software that is used to provide services to customers. Capitalization of internal-use software, primarily associated with operating platforms, occurs when we have completed the preliminary project stage, management authorizes the project, management commits to funding the project, it is probable the project will be completed and the project will be used to perform the function intended. The preliminary project stage consists of the conceptual formulation of alternatives, the evaluation of alternatives, the determination of existence of needed technology and the final selection of alternatives. Costs incurred during the preliminary project stage are expensed as incurred.

Goodwill— We perform our annual goodwill impairment test as of October 1. We test goodwill for impairment at the reporting unit level annually and more often if an event occurs or circumstances change that indicate the fair value of a reporting unit is below its carrying amount. We have the option of performing a qualitative assessment of impairment to determine whether any

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further quantitative assessment for impairment is necessary. The option of whether or not to perform a qualitative assessment is made annually and may vary by reporting unit.

Factors we consider in the qualitative assessment include general macroeconomic conditions, industry and market conditions, cost factors, overall financial performance of our reporting units, events or changes affecting the composition or carrying amount of the net assets of our reporting units, sustained decrease in our share price, and other relevant entity-specific events. If we elect to bypass the qualitative assessment or if we determine, on the basis of qualitative factors, that the fair value of the reporting unit is more likely than not less than the carrying amount, a quantitative test would be required.

We have seven reporting units: North America Payments, Integrated Solutions and Vertical Markets, United Kingdom, Asia-Pacific, Central and Eastern Europe, Russia and Spain. As of October 1, 2018, we elected to perform a qualitative assessment of impairment for each of our reporting units. We determined on the basis of qualitative factors that the fair value of each reporting unit was not more likely than not less than the respective carrying amount. We believe that the fair value of each of our reporting units is substantially in excess of its carrying amount.

*Other intangible assets*— Other intangible assets include customer-related intangible assets (such as customer lists and merchant contracts), contract-based intangible assets (such as noncompete agreements, referral agreements and processing rights), acquired technologies, trademarks and trade names associated with business combinations. These assets are amortized over their estimated useful lives. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses, and customer attrition associated with the assets. The useful lives of contract-based intangible assets are equal to the terms of the agreements. The useful lives of amortizable trademarks and trade names are based on our plans to use the trademarks and trade names in the applicable markets.

We use the straight-line method of amortization for our amortizable acquired technologies, trademarks and trade names and contract-based intangibles. Amortization for most of our customer-related intangible assets is calculated using an accelerated method in which we calculate the expected cash flows for that period that were used in determining the acquisition-date fair value of the asset and divide that amount by the expected total cash flows over the estimated life of the asset. We multiply that percentage by the initial carrying amount of the asset to arrive at the amortization expense for that period. If the cash flow patterns that we experience differ significantly from our initial estimates, we adjust the amortization schedule prospectively. These cash flow patterns are derived using certain assumptions and cost allocations due to a significant number of asset interdependencies that exist in our business. We believe that our accelerated method reflects the expected pattern of the benefit to be derived from the acquired customer relationships.

*Impairment of long-lived assets*— We regularly evaluate whether events and circumstances have occurred that indicate the carrying amount of property and equipment and finite-life intangible assets may not be recoverable. When factors indicate that these long-lived assets should be evaluated for possible impairment, we assess the potential impairment by determining whether the carrying amount of such long-lived assets will be recovered through the future undiscounted cash flows expected from use of the asset and its eventual disposition. If the carrying amount of the asset is determined not to be recoverable, a write-down to fair value is recorded. Fair values are determined based on quoted market prices or discounted cash flow analysis as applicable. We regularly evaluate whether events and circumstances have occurred that indicate the useful lives of property and equipment and finite-life intangible assets may warrant revision.

*Accrued buyout liability*— Certain of our salespersons are paid residual commissions based on the profitability generated by certain merchants. We have the right, but not the obligation, to buy out some or all of these commissions and intend to do so periodically. Such purchases of the commissions are at a fixed multiple of the last 12 months' commissions. Because of our intent and ability to execute purchases of the residual commissions, and the mutual understanding between us and our salespersons, we have accounted for this deferred compensation arrangement pursuant to the substantive nature of the plan. We therefore record the amount that we would have to pay (the "settlement cost") to buy out non-servicing related commissions in their entirety from vested salespersons, and an estimated amount for unvested salespersons based on their progress towards vesting and the expected percentage that will become vested. As noted above, as the liability increases over the first year of the related merchant contract, we record a related asset. Subsequent changes in the estimated accrued buyout liability due to merchant attrition, same-store sales growth or contraction and changes in profitability are included in the selling, general and administrative expense in the consolidated statements of income.

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The classification of the accrued buyout liability between current and noncurrent on the consolidated balance sheet is based upon our estimate of the amount of the accrued buyout liability that we reasonably expect to pay over the next 12 months.

***Income taxes***— Deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax laws and rates. A valuation allowance is provided when it is more likely than not that some portion or all of the deferred tax assets will not be realized.

ASC Topic 740, "Income Taxes" ("ASC 740") requires companies to recognize the effect of tax law changes in the period of enactment. To address the application of GAAP in situations when a registrant does not have the necessary information available, prepared or analyzed in reasonable detail to complete the accounting for certain income tax effects of the 2017 U.S. Tax Act, which was enacted on December 22, 2017, the SEC issued Staff Accounting Bulletin No. 118 ("SAB 118"), which in March 2018 was codified by the FASB in ASC 740. SAB 118 provided guidance for registrants regarding the application of ASC 740 and permitted up to one year after the enactment date for the registrant to complete its accounting.

In applying the provisions of SAB 118, our income tax benefit for the year ended December 31, 2017 reflected provisional amounts for specific income tax effects as a result of the enactment of the 2017 U.S. Tax Act for which our accounting was incomplete but could be reasonably estimated as of December 31, 2017. During the year ended December 31, 2018, we continued to analyze our foreign tax pools and resulting foreign tax credits and reduced the estimated transition tax liability, which completed our accounting for the transition effects of the 2017 U.S. Tax Act. In accounting for the effects of the 2017 U.S. Tax Act, we made a policy election to treat taxes due, if any, under the Global Intangible Low-taxed Income provision as an expense in the period incurred.

We periodically assess our tax exposures related to periods that are open to examination. Based on the latest available information, we evaluate our tax positions to determine whether the position will more likely than not be sustained upon examination by the U.S. Internal Revenue Service or other taxing authorities. If we cannot reach a more-likely-than-not determination, no benefit is recorded. If we determine that the tax position is more likely than not to be sustained, we record the largest amount of benefit that is more likely than not to be realized when the tax position is settled. We record interest and penalties related to unrecognized income tax benefits in interest and selling, general and administrative expenses, respectively, in our consolidated statements of income.

***Derivative instruments***— We may use interest rate swaps or other derivative instruments to manage a portion of our exposure to the variability in interest rates. Our objective in managing our exposure to fluctuation in interest rates is to better control this element of cost and to mitigate the earnings and cash flow volatility associated with changes in applicable rates. We have established policies and procedures that encompass risk-management philosophy and objectives, guidelines for derivative instrument usage, counterparty credit approval, and the monitoring and reporting of derivative activity. We do not enter into derivative instruments for the purpose of speculation.

We formally designate and document instruments at inception that qualify for hedge accounting of underlying exposures. When qualified for hedge accounting, these financial instruments are recognized at fair value in our consolidated balance sheets, and changes in fair value are recognized as a component of other comprehensive income and included in accumulated other comprehensive income within equity in our consolidated balance sheets. Cash flows resulting from settlements are presented as a component of cash flows from operating activities within our consolidated statements of cash flows.

We formally assess, both at inception and at least quarterly, whether the financial instruments used in hedging transactions are effective at offsetting changes in cash flows of the related underlying exposure. Fluctuations in the value of these instruments generally are offset by changes in the forecasted cash flows of the underlying exposures being hedged. This offset is driven by the high degree of effectiveness between the exposure being hedged and the hedging instrument. We designated each of our interest rate swap agreements as a cash flow hedge of interest payments on variable rate borrowings. See "Note 8—Long-Term Debt and Lines of Credit" for more information about our interest rate swaps.

***Fair value measurements***— Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. GAAP establishes a fair value hierarchy that categorizes the inputs to valuation techniques into three broad levels. Level 1 inputs utilize quoted prices in active markets for identical assets or liabilities. Level 2 inputs are based on other observable market data, such as quoted prices for similar assets and

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liabilities, and inputs other than quoted prices that are observable such as interest rates and yield curves. Level 3 inputs are developed from unobservable data reflecting our assumptions and include situations where there is little or no market activity for the asset or liability.

*Fair value of financial instruments*— The carrying amounts of cash and cash equivalents, receivables, settlement lines of credit, accounts payable and accrued liabilities, approximate their fair value given the short-term nature of these items. Our long-term debt includes variable interest rates based on LIBOR, the Federal Funds Effective Rate (as defined in the debt agreements) or the prime rate, plus a margin based on our leverage position. At December 31, 2018, the carrying amount of our long-term debt, exclusive of debt issuance costs, approximated fair value, which is calculated using Level 2 inputs. The fair values of our swap agreements were determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date, and classified within Level 2 of the valuation hierarchy. See "Note 8—Long-Term Debt and Lines of Credit" for further information.

We have investments in equity instruments without readily determinable fair value, including our investment in certain preferred shares of Visa Inc. ("Visa") that we accounted for using the cost method. Upon the adoption of ASU 2016-01 on January 1, 2018, we elected a measurement alternative for equity instruments that do not have readily determinable fair values. Under such alternative, these instruments are measured at cost plus or minus any changes resulting from observable price changes in orderly transactions for an identical or similar investment of the same issuer. Any resulting change in carrying amount would be reflected in net income. See "Note 7—Other Assets" for more information about our investment in certain preferred shares of Visa.

*Foreign currencies*— We have significant operations in a number of foreign subsidiaries whose functional currency is the local currency. The assets and liabilities of subsidiaries whose functional currency is a foreign currency are translated into the reporting currency at the period-end rate of exchange. Income statement items are translated at the weighted-average rates prevailing during the period. The resulting translation adjustment is recorded as a component of other comprehensive income and is included in accumulated comprehensive income within equity in our consolidated balance sheets.

Gains and losses on transactions denominated in currencies other than the functional currency are generally included in determining net income for the period. For the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016, our transaction gains and losses were insignificant. Transaction gains and losses on intercompany balances of a long-term investment nature are recorded as a component of other comprehensive income and included in accumulated comprehensive income within equity in our consolidated balance sheets.

*Earnings per share*— Basic earnings per share ("EPS") is computed by dividing reported net income attributable to Global Payments by the weighted-average number of shares outstanding during the period. Earnings available to common shareholders is the same as reported net income attributable to Global Payments for all periods presented.

Diluted EPS is computed by dividing net income attributable to Global Payments by the weighted-average number of shares outstanding during the period, including the effect of share-based awards that would have a dilutive effect on earnings per share. All stock options with an exercise price lower than the average market share price of our common stock for the period are assumed to have a dilutive effect on EPS. There were no stock options that would have an antidilutive effect on the computation of diluted EPS for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period or for the year ended May 31, 2016.



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The following table sets forth the computation of the diluted weighted-average number of shares outstanding for all periods presented:

	Years Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
	(in thousands)			
Basic weighted-average number of shares outstanding	158,672	154,652	153,342	132,284
Plus: Dilutive effect of stock options and other share-based awards	599	876	889	883
Diluted weighted-average number of shares outstanding	159,271	155,528	154,231	133,167

Repurchased shares— We account for the retirement of repurchased shares using the par value method under which the repurchase price is charged to paid-in capital up to the amount of the original issue proceeds of those shares. When the repurchase price is greater than the original issue proceeds, the excess is charged to retained earnings. We use a last-in, first-out cost flow assumption to identify the original issue proceeds of the shares repurchased.

Conforming Presentation— To conform to the presentation for the year ended December 31, 2018, we modified the consolidated statements of cash flows for the year ended December 31, 2017, the 2016 fiscal transition period and the year ended May 31, 2016 to include changes in "capitalized customer acquisition costs" of \$82.9 million, \$58.2 million and \$12.0 million, respectively, within "prepaid expenses and other assets" among the changes in operating assets and liabilities. Previously, changes in "capitalized customer acquisition costs" were presented as a separate line in the consolidated statements of cash flows. These modifications had no effect on net cash provided by operating activities for any period.

Recently Issued Pronouncements Not Yet Adopted

*ASC 842 - New Lease Accounting Standard*

In February 2016, the FASB issued ASU 2016-02, "Leases." ASU 2016-02 will require us to recognize, on the balance sheet, assets and liabilities for the rights and obligations created by leases. In addition, several new disclosures will be required.

We will adopt ASU 2016-02, as well as other related clarifications and interpretive guidance issued by the FASB, when it becomes effective for us on January 1, 2019. We will elect the optional modified retrospective transition method to apply the provisions of the new standard at the adoption date, which will result in measurement and recognition of assets and liabilities for the rights and obligations created by leases. The lease liability will be measured as the present value of remaining lease payments, and the corresponding right of use asset will be measured at an amount equal to the lease liability adjusted by the amount of certain assets and liabilities, such as deferred lease obligations and prepaid rent, related to our operating leases previously recognized on the balance sheet immediately before the date of initial application. Under this transition method, we will not recast the prior-period financial statements presented.

We have made progress in the execution of our implementation plan, and we are substantially complete with our evaluation of the effect of ASU 2016-02 on our consolidated financial statements. We currently estimate that we will recognize lease liabilities on the balance sheet of approximately \$275 million at adoption for our operating leases. We expect right of use assets will be approximately \$235 million, reflecting adjustments for the net amount of lease-related items previously recognized on the balance sheet. We do not expect adoption to have a material effect on any line items in our consolidated statement of income or on our cash flows from operating activities, investing activities or financing activities included in our consolidated statement of cash flows.

We will elect the transition package of three practical expedients, which among other things, allows for the carryforward of historical lease classifications, and we will make an accounting policy election to not apply the recognition requirements to leases with a term of less than twelve months. We will also elect a lessee practical expedient, as an accounting policy election by class of underlying asset, to account for lease and nonlease components as a combined single lease component. Finally, we will make



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an accounting policy election to determine the incremental borrowing rate at transition, based on the remaining lease term at the date of adoption.

Our existing leases consist primarily of real estate leases for office space throughout the markets in which we conduct business. We are currently finalizing the analysis of our existing lease arrangements. We will implement new accounting processes and internal controls to meet the requirements for financial reporting and disclosures of our leases. We have implemented a new technology solution to assist with the necessary calculations to support the accounting and disclosure requirements of the new lease accounting standard. We are coordinating with various internal stakeholders to evaluate and test the newly implemented technology, processes and controls. We expect these final implementation and evaluation activities will continue during the first quarter of 2019.

*Other Accounting Standards Updates Not Yet Adopted*

In August 2018, the FASB issued ASU 2018-15, "Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is Service Contract* (A Consensus of the FASB Emerging Issues Task Force)." ASU 2018-15 provides additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. The amendments in this update also provide additional disclosure requirements to disclose the nature of an entity's hosting arrangements that are service contracts. ASU 2018-15 is effective for annual and interim periods beginning after December 15, 2019. We are evaluating the effect of ASU 2018-15 on our consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*." The amendments in this update change how companies measure and recognize credit impairment for many financial assets. The new expected credit loss model will require us to immediately recognize an estimate of credit losses expected to occur over the remaining life of the financial assets (including trade receivables) that are in the scope of the update. ASU 2016-13 also made amendments to the current impairment model for held-to-maturity and available-for-sale debt securities and certain guarantees. The guidance will become effective for us on January 1, 2020. Early adoption is permitted for periods beginning on or after January 1, 2019. We are evaluating the effect of ASU 2016-13 on our consolidated financial statements.

**NOTE 2— ACQUISITIONS**

The transactions described below were accounted for as business combinations, which requires that we record the assets acquired and liabilities assumed at fair value as of the acquisition date.

*SICOM*

On October 17, 2018, we acquired SICOM Systems, Inc. ("SICOM") for total purchase consideration of \$409.2 million, which we funded with cash on hand and by drawing on our Revolving Credit Facility (described in "Note 8—Long-Term Debt and Lines of Credit"). SICOM is a provider of end-to-end enterprise, cloud-based software solutions and other technologies to quick service restaurants and food service management companies. SICOM's technologies are complementary to our existing Xenial solutions, and we believe this acquisition will expand our software-driven payments strategy by enabling us to increase our capabilities and expand on our existing presence in the restaurant vertical market. Prior to the acquisition, SICOM was indirectly owned by a private equity investment firm where one of our board members is a partner and investor. His direct interest in the transaction was approximately \$1.1 million, the amount distributed to him based on his investment interest in the fund of the private equity firm that sold SICOM to us. Based on consideration of all relevant information, the audit committee of our board of directors recommended that the board approve the acquisition of SICOM, which it did.

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The provisional estimated acquisition-date fair values of major classes of assets acquired and liabilities assumed as of December 31, 2018, including a reconciliation to the total purchase consideration, were as follows (in thousands):

Cash and cash equivalents	\$ 7,540
Property and equipment	5,943
Identified intangible assets	188,294
Other assets	22,278
Deferred income taxes	(48,448)
Other liabilities	(31,250)
Total identifiable net assets	144,357
Goodwill	264,844
Total purchase consideration	\$ 409,201

As of December 31, 2018, we considered these balances to be provisional because we were still in the process of determining the final purchase consideration, which is subject to adjustment pursuant to the purchase agreement, and gathering and reviewing information to support the valuations of the assets acquired and liabilities assumed.

Goodwill arising from the acquisition of \$264.8 million, included in the North America segment, was attributable to expected growth opportunities, an assembled workforce and potential synergies from combining our existing businesses. We expect that approximately \$50 million of the goodwill from this acquisition will be deductible for income tax purposes.

The following table reflects the estimated fair values of the identified intangible assets of SICOM and the respective aggregated weighted-average estimated amortization periods:

	<u>Estimated Fair Values</u>	<u>Weighted-Average Estimated Amortization Periods</u>
	(in thousands)	(years)
Customer-related intangible assets	\$ 104,900	14
Acquired technologies	65,312	6
Trademarks and trade names	11,202	5
Covenants-not-to-compete	6,880	5
Total estimated acquired intangible assets	\$ 188,294	10

Transaction costs associated with the acquisition of SICOM were not material, and the revenues and operating income of SICOM were not material to our consolidated results of operations during the year ended December 31, 2018. The historical revenues and operating income of SICOM were not material to our historical consolidated results of operations for the purpose of presenting unaudited pro forma information for the years ended December 31, 2018 and 2017.

[Table of Contents](#)*AdvancedMD*

On September 4, 2018, we acquired AdvancedMD, Inc. ("AdvancedMD") for total purchase consideration of \$706.9 million, which we funded with cash on hand and by drawing on our Revolving Credit Facility. AdvancedMD is a provider of cloud-based enterprise software solutions to small-to-medium sized ambulatory care physician practices in the United States. We believe this acquisition will expand our software-driven payments strategy by enabling us to enter the healthcare vertical market, a large and fragmented market with strong payment fundamentals and attractive growth opportunities.

The provisional estimated acquisition-date fair values of major classes of assets acquired and liabilities assumed as of December 31, 2018, including a reconciliation to the total purchase consideration, were as follows (in thousands):

Cash and cash equivalents	\$	7,657
Property and equipment		5,672
Identified intangible assets		419,500
Other assets		11,958
Deferred income taxes		(98,979)
Other liabilities		(15,624)
Total identifiable net assets		330,184
Goodwill		376,701
Total purchase consideration	\$	706,885

During the fourth quarter of 2018, we recorded adjustments to increase the estimated acquisition-date fair value of identified intangible assets by approximately \$115 million to increase the estimated acquisition-date fair value of deferred income tax liabilities by approximately \$24 million and to decrease the estimated acquisition-date fair value of goodwill by approximately \$92 million. The adjustments were the result of our refinement of certain estimates made as of September 30, 2018. As of December 31, 2018, we considered these balances to be provisional because we were still in the process of gathering and reviewing information to support the valuation of the assets acquired and liabilities assumed.

Goodwill arising from the acquisition of \$376.7 million, included in the North America segment, was attributable to expected growth opportunities, an assembled workforce and potential synergies from combining our existing businesses. We expect that substantially all of the goodwill from this acquisition will not be deductible for income tax purposes.

The following table reflects the estimated fair values of the identified intangible assets of AdvancedMD and the respective aggregated weighted-average estimated amortization periods:

	Estimated Fair Values	Weighted-Average Estimated Amortization Periods
	(in thousands)	(years)
Customer-related intangible assets	\$ 303,100	11
Acquired technologies	83,700	5
Trademarks and trade names	32,700	15
Total estimated acquired intangible assets	\$ 419,500	10

Transaction costs associated with the acquisition of AdvancedMD were not material, and the revenues and operating income of AdvancedMD were not material to our consolidated results of operations during the year ended December 31, 2018. The historical revenues and operating income of AdvancedMD were not material to our historical consolidated results of operations for the purpose of presenting unaudited pro forma information for the years ended December 31, 2018 and 2017.



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The following table reflects the estimated fair values of the identified intangible assets and the respective weighted-average estimated amortization periods:

	<u>Estimated Fair Values</u>	<u>Weighted-Average Estimated Amortization Periods</u>
	<u>(in thousands)</u>	<u>(years)</u>
Customer-related intangible assets	\$ 189,000	17
Acquired technologies	153,300	9
Trademarks and trade names	59,400	15
Covenants-not-to-compete	8,845	3
Total estimated acquired intangible assets	<u>\$ 410,545</u>	<u>13</u>

*Heartland*

We merged with Heartland on April 22, 2016 for total purchase consideration of \$3.9 billion. The merger significantly expanded our small and medium-sized enterprise distribution, customer base and vertical reach in the United States. The following table summarizes the cash and non-cash components of the consideration transferred on April 22, 2016 (in thousands):

Cash consideration paid to Heartland stockholders	\$ 2,043,362
Fair value of Global Payments common stock issued to Heartland stockholders	1,879,458
Total purchase consideration	<u>\$ 3,922,820</u>

The merger date fair value of common stock issued to Heartland stockholders and equity award holders was determined based on 38.4 million shares of Heartland common stock, including common stock outstanding and equity awards for which vesting accelerated in accordance with the Merger Agreement, multiplied by the exchange ratio of 0.6687 and the closing share price of Global Payments common stock as of April 22, 2016 of \$73.29 per share.

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The estimated acquisition-date fair values of major classes of assets acquired and liabilities assumed provisionally determined as of December 31, 2016 and as subsequently revised for measurement-period adjustments, including a reconciliation to the total purchase consideration, were as follows:

	<u>Provisional at December 31, 2016</u>	<u>Measurement- Period Adjustments</u>	<u>Final</u>
	(in thousands)		
Cash and cash equivalents	\$ 304,747	\$ —	\$ 304,747
Accounts receivable	70,385	—	70,385
Prepaid expenses and other assets	103,090	(5,131)	97,959
Identified intangible assets	1,639,040	—	1,639,040
Property and equipment	106,583	—	106,583
Debt	(437,933)	—	(437,933)
Accounts payable and accrued liabilities	(457,763)	(65)	(457,828)
Settlement processing obligations	(36,578)	(3,727)	(40,305)
Deferred income taxes	(518,794)	18,907	(499,887)
Other liabilities	(64,938)	(33,495)	(98,433)
Total identifiable net assets	<u>707,839</u>	<u>(23,511)</u>	<u>684,328</u>
Goodwill	3,214,981	23,511	3,238,492
Total purchase consideration	<u>\$ 3,922,820</u>	<u>\$ —</u>	<u>\$ 3,922,820</u>

The measurement-period adjustments were the result of continued refinement of certain estimates, particularly regarding certain tax positions and deferred income taxes.

Goodwill of \$3.2 billion arising from the merger, included in the North America segment, was attributable to expected growth opportunities, an assembled workforce and potential synergies from combining our existing businesses, and is not deductible for income tax purposes. During the year ended December 31, 2016, we incurred transaction costs in connection with the merger of \$24.7 million, which were recorded in selling, general and administrative expenses in the consolidated statements of income.

The following table reflects the estimated fair values of the identified intangible assets and the respective weighted-average estimated amortization periods:

	<u>Estimated Fair Values</u>	<u>Weighted-Average Estimated Amortization Periods</u>
	(in thousands)	(years)
Customer-related intangible assets	\$ 977,400	15
Acquired technologies	457,000	5
Trademarks and trade names	176,000	7
Covenants-not-to-compete	28,640	1
Total estimated acquired intangible assets	<u>\$ 1,639,040</u>	<u>11</u>

[Table of Contents](#)*FIS Gaming Business*

On June 1, 2015, we acquired certain assets of Certegy Check Services, Inc., a wholly-owned subsidiary of Fidelity National Information Services, Inc. ("FIS"). Under the purchase arrangement, we acquired substantially all of the assets of its gaming business related to licensed gaming operators (the "FIS Gaming Business"), including relationships with gaming clients in approximately 260 locations as of the acquisition date, for \$237.5 million, funded from borrowings on our Revolving Credit Facility and cash on hand. We acquired the FIS Gaming Business to expand our direct distribution and service offerings in the gaming market.

The estimated acquisition-date fair values of major classes of assets acquired and liabilities assumed, including a reconciliation to the total purchase consideration, were as follows (in thousands):

Customer-related intangible assets	\$ 143,400
Liabilities	(150)
Total identifiable net assets	143,250
Goodwill	94,250
Total purchase consideration	\$ 237,500

Goodwill arising from the acquisition, included in the North America segment, was attributable to an expected growth opportunities, including cross-selling opportunities at existing and acquired gaming client locations and operating synergies in the gaming business, and an assembled workforce. Goodwill associated with this acquisition is deductible for income tax purposes. The customer-related intangible assets have an estimated amortization period of 15 years.

*Valuation of Identified Intangible Assets*

For the acquisitions discussed above, the estimated fair values of customer-related intangible assets were determined using the income approach, which was based on projected cash flows discounted to their present value using discount rates that consider the timing and risk of the forecasted cash flows. The discount rates used represented the average estimated value of a market participant's cost of capital and debt, derived using customary market metrics. Acquired technologies were valued using the replacement cost method, which required us to estimate the costs to construct an asset of equivalent utility at prices available at the time of the valuation analysis, with adjustments in value for physical deterioration and functional and economic obsolescence. Trademarks and trade names were valued using the "relief-from-royalty" approach. This method assumes that trademarks and trade names have value to the extent that their owner is relieved of the obligation to pay royalties for the benefits received from them. This method required us to estimate the future revenues for the related brands, the appropriate royalty rate and the weighted-average cost of capital. The discount rates used represented the average estimated value of a market participant's cost of capital and debt, derived using customary market metrics.

**NOTE 3—REVENUES**

We are a leading worldwide provider of payment technology and software solutions delivering innovative services to our customers globally. Our technologies, services and employee expertise enable us to provide a broad range of solutions that allow our customers to accept various payment types and operate their businesses more efficiently. We distribute our services across a variety of channels to customers. The disclosures in this note are applicable for the year ended December 31, 2018.

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The following table presents a disaggregation of our revenue from contracts with customers by distribution channel:

	Year Ended December 31, 2018			
	North America	Europe	Asia-Pacific	Total
	(in thousands)			
Direct:				
Relationship-led	\$ 1,035,143	\$ 404,083	\$ 123,726	\$ 1,562,952
Technology-enabled	1,207,278	206,847	109,426	1,523,551
	2,242,421	610,930	233,152	3,086,503
Wholesale	279,863	—	—	279,863
	\$ 2,522,284	\$ 610,930	\$ 233,152	\$ 3,366,366

ASC 606 requires that we determine for each customer arrangement whether revenue should be recognized at a point in time or over time. For the year ended December 31, 2018 substantially all of our revenues were recognized over time.

ASC 606 requires disclosure of the aggregate amount of the transaction price allocated to unsatisfied performance obligations; however, as permitted by ASC 606, we have elected to exclude from this disclosure any contracts with an original duration of one year or less and any variable consideration that meets specified criteria. As described above, our most significant performance obligations consist of variable consideration under a stand-ready series of distinct days of service. Such variable consideration meets the specified criteria for the disclosure exclusion; therefore, the majority of the aggregate amount of transaction price that is allocated to performance obligations that have not yet been satisfied is variable consideration that is not required for this disclosure. The aggregate fixed consideration portion of customer contracts with an initial contract duration greater than one year is not material.

#### *Contract Assets and Contract Liabilities*

Net contract liabilities included in accounts payable and accrued liabilities on our consolidated balance sheet were \$146.9 million at December 31, 2018 and \$100.6 million at January 1, 2018. Net contract liabilities included in other noncurrent liabilities on our consolidated balance sheet were \$8.6 million at December 31, 2018 and \$6.0 million at January 1, 2018. The increase in contract liabilities during 2018 reflects the effects of business combinations. Revenues for the year ended December 31, 2018 included \$97.3 million that was in contract liabilities at January 1, 2018. Net contract assets were not material at December 31, 2018 or at January 1, 2018.

#### *Contract Costs*

At December 31, 2018, we had net capitalized costs to obtain and to fulfill contracts of \$194.6 million and \$13.0 million, respectively. During the year ended December 31, 2018, amortization of capitalized contract costs was \$51.5 million.

#### **NOTE 4—SETTLEMENT PROCESSING ASSETS AND OBLIGATIONS**

Funds settlement refers to the process of transferring funds for sales and credits between card issuers and merchants. For transactions processed on our systems, we use our internal network to provide funding instructions to financial institutions that in turn fund the merchants. We process funds settlement under two models, a sponsorship model and a direct membership model.

Under the sponsorship model, we are designated as an independent sales organization by Mastercard and Visa, which means that member clearing banks ("Member") sponsor us and require our adherence to the standards of the payment networks. In certain markets, we have sponsorship or depository and clearing agreements with financial institution sponsors. These agreements allow us to route transactions under the Members' control and identification numbers to clear credit card transactions through Mastercard and Visa. In this model, the standards of the payment networks restrict us from performing funds settlement or accessing merchant settlement funds, and, instead, require that these funds be in the possession of the Member until the merchant is funded.

Under the direct membership model, we are members in various payment networks, allowing us to process and fund transactions without third-party sponsorship. In this model, we route and clear transactions directly through the card brand's network and are not restricted from performing funds settlement. Otherwise, we process these transactions similarly to how we process transactions in the sponsorship model. We are required to adhere to the standards of the payment networks in which we are direct members. We maintain relationships with financial institutions, which may also serve as our Member sponsors for other card brands or in other markets, to assist with funds settlement.



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Timing differences, interchange fees, Merchant Reserves and exception items cause differences between the amount received from the payment networks and the amount funded to the merchants. These intermediary balances arising in our settlement process for direct merchants are reflected as settlement processing assets and obligations on our consolidated balance sheets.

Settlement processing assets and obligations include the components outlined below:

- *Interchange reimbursement.* Our receivable from merchants for the portion of the discount fee related to reimbursement of the interchange fee.
- *Receivable from Members.* Our receivable from the Members for transactions in which we have advanced funding to the Members to fund merchants in advance of receipt of funding from networks.
- *Receivable from networks.* Our receivable from a payment network for transactions processed on behalf of merchants where we are a direct member of that particular network.
- *Exception items.* Items such as customer chargeback amounts received from merchants.
- *Merchant Reserves.* Reserves held to minimize contingent liabilities associated with losses that may occur under the merchant agreement.
- *Liability to Members.* Our liability to the Members for transactions for which funding from the payment network has been received by the Members but merchants have not yet been funded.
- *Liability to merchants.* Our liability to merchants for transactions that have been processed but not yet funded where we are a direct member of a particular payment network.
- *Reserve for operating losses and sales allowances.* Our reserve for allowances, charges or losses that we do not expect to collect from the merchants due to concessions, merchant fraud, insolvency, bankruptcy or any other merchant-related reason.

We apply offsetting to our settlement processing assets and obligations where a right of setoff exists. In the sponsorship model, we apply offsetting by Member agreement because the Member is ultimately responsible for funds settlement. With these Member transactions, we do not have access to the gross proceeds of the receivable from the payment networks and, thus, do not have a direct obligation or any ability to satisfy the payable to fund the merchant. In these situations, we apply offsetting to determine a net position for each Member agreement. If that net position is an asset, we reflect the net amount in settlement processing assets on our consolidated balance sheet, and we present the individual components in the settlement processing assets table below. If that net position is a liability, we reflect the net amount in settlement processing obligations on our consolidated balance sheet, and we present the individual components in the settlement processing obligations table below. In the direct membership model, offsetting is not applied, and the individual components are presented as an asset or obligation based on the nature of that component.

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As of December 31, 2018 and 2017 settlement processing assets and obligations consisted of the following:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
<b>Settlement processing assets:</b>		
Interchange reimbursement	\$ 154,978	\$ 304,964
Receivable from Members	228,107	104,339
Receivable from networks	1,221,060	2,055,390
Exception items	7,636	7,867
Merchant Reserves	(11,559)	(13,268)
	<u>\$ 1,600,222</u>	<u>\$ 2,459,292</u>
<b>Settlement processing liabilities:</b>		
Interchange reimbursement	\$ 193,235	\$ 72,053
Liability to Members	(182,450)	(20,369)
Liability to merchants	(1,144,249)	(1,961,107)
Exception items	7,146	6,863
Merchant Reserves	(145,826)	(133,907)
Reserve for operating losses and sales allowances	(4,212)	(4,042)
	<u>\$ (1,276,356)</u>	<u>\$ (2,040,509)</u>

**NOTE 5—PROPERTY AND EQUIPMENT**

As of December 31, 2018 and 2017, property and equipment consisted of the following:

	Range of Depreciable Lives (Years)	<u>2018</u>	<u>2017</u>
		(in thousands)	
Land		\$ 3,518	\$ 2,742
Buildings	25-30	27,179	29,309
Equipment	2-20	337,589	280,774
Software	2-10	539,879	411,975
Leasehold improvements	3-15	73,298	63,154
Furniture and fixtures	3-7	45,346	24,054
		<u>1,026,809</u>	<u>812,008</u>
Less accumulated depreciation and amortization		(503,827)	(314,336)
Work-in-progress		130,560	90,676
		<u>\$ 653,542</u>	<u>\$ 588,348</u>

**NOTE 6—GOODWILL AND INTANGIBLE ASSETS**

As of December 31, 2018 and 2017, goodwill and other intangible assets consisted of the following:

	2018	2017
	(in thousands)	
Goodwill	\$ 6,341,355	\$ 5,703,992
Other intangible assets:		
Customer-related intangible assets	\$ 2,486,217	\$ 2,078,891
Acquired technologies	896,701	722,466
Trademarks and trade names	289,588	247,688
Contract-based intangible assets	178,391	171,522
	<u>3,850,897</u>	<u>3,220,567</u>
Less accumulated amortization:		
Customer-related intangible assets	860,715	685,869
Acquired technologies	351,170	210,063
Trademarks and trade names	83,234	50,849
Contract-based intangible assets	67,160	92,079
	<u>1,362,279</u>	<u>1,038,860</u>
	<u>\$ 2,488,618</u>	<u>\$ 2,181,707</u>

The following table sets forth the changes in the carrying amount of goodwill for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016:

	North America	Europe	Asia-Pacific	Total
	(in thousands)			
Balance at May 31, 2015	\$ 779,734	\$ 485,921	\$ 226,178	\$ 1,491,833
Goodwill acquired	3,318,768	—	53,402	3,372,170
Effect of foreign currency translation	(3,872)	(13,737)	(15,397)	(33,006)
Measurement-period adjustments	(8,200)	(411)	7,019	(1,592)
Balance at May 31, 2016	<u>4,086,430</u>	<u>471,773</u>	<u>271,202</u>	<u>4,829,405</u>
Goodwill acquired	—	28,820	—	28,820
Effect of foreign currency translation	(1,911)	(45,265)	(2,160)	(49,336)
Measurement-period adjustments	(1,267)	(28)	—	(1,295)
Balance at December 31, 2016	<u>4,083,252</u>	<u>455,300</u>	<u>269,042</u>	<u>4,807,594</u>
Goodwill acquired	784,668	—	—	784,668
Effect of foreign currency translation	5,060	57,838	18,291	81,189
Measurement-period adjustments	23,511	—	7,030	30,541
Balance at December 31, 2017	<u>4,896,491</u>	<u>513,138</u>	<u>294,363</u>	<u>5,703,992</u>
Goodwill acquired	641,483	—	57,387	698,870
Effect of foreign currency translation	(7,463)	(28,377)	(25,243)	(61,083)
Measurement-period adjustments	(424)	—	—	(424)
Balance at December 31, 2018	<u>\$ 5,530,087</u>	<u>\$ 484,761</u>	<u>\$ 326,507</u>	<u>\$ 6,341,355</u>

There were no accumulated impairment losses for goodwill at any balance sheet date reflected in the table above.

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Customer-related intangible assets, acquired technologies, contract-based intangible assets and trademarks and trade names acquired during the year ended December 31, 2018 had weighted-average amortization periods of 11.5 years, 6.2 years, 19.3 years and 12.5 years, respectively. Customer-related intangible assets, acquired technologies, contract-based intangible assets and trademarks and trade names acquired during the year ended December 31, 2017 had weighted-average amortization periods of 16.8 years, 8.8 years, 3 years and 15 years, respectively. Customer-related intangible assets acquired 2016 fiscal transition period had a weighted-average amortization period of 12.1 years. Customer-related intangible assets, acquired technologies and trademarks and trade names acquired during the year ended May 31, 2016 had weighted-average amortization periods of 13.9 years, 5.0 years and 7.0 years, respectively. Amortization expense of acquired intangibles was \$377.7 million for the year ended December 31, 2018, \$337.9 million for the year ended December 31, 2017, \$194.3 million for the 2016 fiscal transition period and \$113.7 million for the year ended May 31, 2016, respectively.

The estimated amortization expense of acquired intangibles as of December 31, 2018 for the next five years, calculated using the currency exchange rate at the date of acquisition, if applicable, is as follows (in thousands):

2019	\$	408,358
2020		378,538
2021		296,435
2022		256,054
2023		213,726

**NOTE 7—OTHER ASSETS**

Through certain of our subsidiaries in Europe, we were a member and shareholder of Visa Europe Limited ("Visa Europe"). On June 21, 2016, Visa acquired all of the membership interests in Visa Europe, including ours, upon which we recorded a gain of \$41.2 million included in interest and other income in our consolidated statements of income for the 2016 fiscal transition period. We received up-front consideration comprised of €33.5 million (\$37.7 million equivalent at June 21, 2016) in cash and Series B and C convertible preferred shares whose initial conversion rate equates to Visa common shares valued at \$22.9 million as of June 21, 2016. The preferred shares were assigned a value of zero based on transfer restrictions, Visa's ability to adjust the conversion rate and the estimation uncertainty associated with those factors. Based on the outcome of potential litigation involving Visa Europe in the United Kingdom and elsewhere in Europe, the conversion rate of the preferred shares could be adjusted down such that the number of Visa common shares we ultimately receive could be as low as zero, and approximately €25.6 million (\$28.8 million equivalent at June 21, 2016) of the up-front cash consideration could be refundable. On the third anniversary of the closing of the acquisition by Visa, we are contractually entitled to receive €3.1 million (\$3.5 million equivalent at June 21, 2016) of deferred consideration (plus compounded interest at a rate of 4.0% per annum).

**NOTE 8—LONG-TERM DEBT AND LINES OF CREDIT**

As of December 31, 2018 and 2017, long-term debt consisted of the following:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Credit Facility:		
Term loans (face amounts of \$4,463,643 and \$3,932,677 at December 31, 2018 and 2017, respectively, less \$ unamortized debt issuance costs of \$37,400 and \$37,961 at December 31, 2018 and 2017, respectively)	\$ 4,426,243	\$ 3,894,716
Revolving Credit Facility	704,000	765,000
Total long-term debt	5,130,243	4,659,716
Less current portion of Credit Facility (face amounts of \$124,176 and \$108,979 at December 31, 2018 and 2017, respectively, less unamortized debt issuance costs of \$9,101 and \$8,671 at December 31, 2018 and 2017, respectively)	115,075	100,308
Long-term debt, excluding current portion	<u>\$ 5,015,168</u>	<u>\$ 4,559,408</u>

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Maturity requirements on long-term debt as of December 31, 2018 by year are as follows (in thousands):

<b>Years ending December 31,</b>	
2019	\$ 124,176
2020	159,979
2021	195,848
2022	267,587
2023	3,945,053
2024 and thereafter	475,000
Total	<u>\$ 5,167,643</u>

### Credit Facility

We are party to a credit facility agreement with Bank of America, N.A., as administrative agent, and a syndicate of financial institutions as lenders and other agents (as amended from time to time, the "Credit Facility"). As of December 31, 2018, the Credit Facility provided for secured financing comprised of (i) a \$1.5 billion revolving credit facility (the "Revolving Credit Facility"); (ii) a \$1.5 billion term loan (the "Term A Loan"), (iii) a \$1.37 billion term loan (the "Term A-2 Loan"), (iv) a \$1.14 billion term loan facility (the "Term B-2 Loan") and (v) a \$500 million term loan (the "Term B-4 Loan"). Substantially all of the assets of our domestic subsidiaries are pledged as collateral under the Credit Facility.

The borrowings outstanding under our Credit Facility as of December 31, 2018 reflect amounts borrowed for acquisitions and other activities we completed in 2018, including a reduction to the interest rate margins applicable to our Term A Loan, Term A-2 Loan, Term B-2 Loan and the Revolving Credit Facility, an extension of the maturity dates of the Term A Loan, Term A-2 Loan and the Revolving Credit Facility, and an increase in the total financing capacity under the Credit Facility to approximately \$5.5 billion in June 2018.

In October 2018, we entered into an additional term loan under the Credit Facility in the amount of \$500 million (the "Term B-4 Loan"). We used the proceeds from the Term B-4 Loan to pay down a portion of the balance outstanding under our Revolving Credit Facility.

The Credit Facility provides for an interest rate, at our election, of either LIBOR or a base rate, in each case plus a margin. As of December 31, 2018, the interest rates on the Term A Loan, the Term A-2 Loan, the Term B-2 Loan and the Term B-4 Loan were 4.02%, 4.01%, 4.27% and 4.27%, respectively, and the interest rate on the Revolving Credit Facility was 3.92%. In addition, we are required to pay a quarterly commitment fee with respect to the unused portion of the Revolving Credit Facility at an applicable rate per annum ranging from 0.20% to 0.30% depending on our leverage ratio.

The Term A Loan and the Term A-2 Loan mature, and the Revolving Credit Facility expires, on January 20, 2023. The Term B-2 Loan matures on April 22, 2023. The Term B-4 Loan matures on October 18, 2025. The Term A Loan and Term A-2 Loan principal amounts must each be repaid in quarterly installments in the amount of 0.625% of principal through June 2019, increasing to 1.25% of principal through June 2021, increasing to 1.875% of principal through June 2022 and increasing to 2.50% of principal through December 2022, with the remaining principal balance due upon maturity in January 2023. The Term B-2 Loan principal must be repaid in quarterly installments in the amount of 0.25% of principal through March 2023, with the remaining principal balance due upon maturity in April 2023. The Term B-4 Loan principal must be repaid in quarterly installments in the amount of 0.25% of principal through September 2025, with the remaining principal balance due upon maturity in October 2025.

We may issue standby letters of credit of up to \$100 million in the aggregate under the Revolving Credit Facility. Outstanding letters of credit under the Revolving Credit Facility reduce the amount of borrowings available to us. Borrowings available to us under the Revolving Credit Facility are further limited by the covenants described below under "Compliance with Covenants." The total available commitments under the Revolving Credit Facility at December 31, 2018 were \$783.6 million.

The portion of deferred debt issuance costs related to the Revolving Credit Facility is included in other noncurrent assets, and the portion of deferred debt issuance costs related to the term loans is reported as a reduction to the carrying amount of the term loans. Debt issuance costs are amortized as an adjustment to interest expense over the terms of the respective facilities.

### **Settlement Lines of Credit**

In various markets where we do business, we have specialized lines of credit, which are restricted for use in funding settlement. The settlement lines of credit generally have variable interest rates, are subject to annual review and are denominated in local currency but may, in some cases, facilitate borrowings in multiple currencies. For certain of our lines of credit, the available credit is increased by the amount of cash we have on deposit in specific accounts with the lender. Accordingly, the amount of the outstanding line of credit may exceed the stated credit limit. As of December 31, 2018 and 2017, a total of \$70.6 million and \$59.3 million, respectively, of cash on deposit was used to determine the available credit.

As of December 31, 2018 and 2017, respectively, we had \$700.5 million and \$635.2 million outstanding under these lines of credit with additional capacity of \$710.3 million as of December 31, 2018 to fund settlement. The weighted-average interest rate on these borrowings was 2.97% and 1.97% at December 31, 2018 and 2017, respectively. During the year ended December 31, 2018, the maximum and average outstanding balances under these lines of credit were \$828.2 million and \$398.3 million, respectively.

### **Compliance with Covenants**

The Credit Facility Agreement contains customary affirmative and restrictive covenants, including, among others, financial covenants based on our leverage and interest coverage ratios, as defined in the agreement. As of December 31, 2018, financial covenants under the Credit Facility Agreement required a leverage ratio no greater than: (i) 5.00 to 1.00 as of the end of any fiscal quarter ending during the period from April 1, 2018 through June 30, 2019; (ii) 4.75 to 1.00 as of the end of any fiscal quarter ending during the period from July 1, 2019 through June 30, 2020; and (iii) 4.50 to 1.00 as of the end of any fiscal quarter ending thereafter. The interest coverage ratio is required to be no less than 3.25 to 1.00.

The Credit Facility Agreement includes covenants, subject in each case to exceptions and qualifications that may restrict certain payments, including, in certain circumstances, the repurchasing of our common stock and paying cash dividends in excess of our current rate of \$0.01 per share per quarter. We were in compliance with all applicable covenants as of December 31, 2018.

### **Interest Rate Swap Agreements**

We have interest rate swap agreements with financial institutions to hedge changes in cash flows attributable to interest rate risk on a portion of our variable-rate debt instruments. Net amounts to be received or paid under the swap agreements are reflected as adjustments to interest expense. Since we have designated the interest rate swap agreements as portfolio cash flow hedges, unrealized gains or losses resulting from adjusting the swaps to fair value are recorded as components of other comprehensive income. The fair values of the interest rate swaps were determined based on the present value of the estimated future net cash flows using implied rates in the applicable yield curve as of the valuation date. These derivative instruments were classified within Level 2 of the valuation hierarchy.

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The table below presents the fair values of our derivative financial instruments designated as cash flow hedges included in the consolidated balance sheets:

Derivative Financial Instruments	Balance Sheet Location	Weighted-Average Fixed Rate of Interest at December 31, 2018	Range of Maturity Dates at December 31, 2018	Fair Values at December 31,	
				2018	2017
(in thousands)					
Interest rate swaps (Notional of \$750 million at December 31, 2018)	Prepaid expenses and other current assets	1.54%	February 28, 2019 - December 31, 2019	\$ 3,200	\$ —
Interest rate swaps (Notional of \$550 million and \$1,300 million at December 31, 2018 and 2017, respectively)	Other noncurrent assets	1.65%	July 31, 2020 - March 31, 2021	\$ 8,256	\$ 9,202
Interest rate swaps (Notional of \$950 million at December 31, 2018)	Accounts payable and accrued liabilities	2.82%	December 31, 2022	\$ 14,601	\$ —

The table below presents the effects of our interest rate swaps on the consolidated statements of income and comprehensive income for the periods presented:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
(in thousands)				
Amount of unrealized gains (losses) recognized in other comprehensive income (loss)	\$ (7,553)	\$ 4,549	\$ 5,532	\$ (12,859)
Amount of unrealized (gains) losses reclassified out of other comprehensive income (loss) to interest expense	\$ (4,792)	\$ 5,673	\$ 4,222	\$ 8,240

At December 31, 2018, the amount of gain in accumulated other comprehensive loss related to our interest rate swaps that is expected to be reclassified into interest expense during the next 12 months was approximately \$5.5 million.

**Interest Expense**

Interest expense was \$195.5 million, \$174.3 million, \$108.6 million and \$67.9 million for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016.

**NOTE 9—ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

As of December 31, 2018 and 2017, accounts payable and accrued liabilities consisted of the following:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
Customer deposits	\$ 406,117	\$ 397,085
Contract liabilities <sup>(1)</sup>	146,947	101,029
Compensation and benefits	117,739	102,187
Payment network fees	96,495	97,304
Trade accounts payable	76,229	47,391
Income taxes payable <sup>(2)</sup>	51,108	35,405
Commissions payable to third parties	24,998	35,855
Third-party processing fees	24,987	24,267
Unclaimed property	24,369	26,468
Current portion of accrued buyout liability <sup>(3)</sup>	14,011	20,739
Other	193,703	151,877
	<u>\$ 1,176,703</u>	<u>\$ 1,039,607</u>

<sup>(1)</sup> Following the adoption of ASC 606 on January 1, 2018, amounts previously reported as unearned revenue are now a component of contract liabilities.

<sup>(2)</sup> The 2017 U.S. Tax Act created a territorial tax system (with a one-time mandatory "transition" tax on previously deferred foreign earnings), effective January 1, 2018. In 2017, upon the enactment of the new tax law, we recognized an estimate for income taxes payable of \$63.7 million on previously deferred foreign earnings, of which \$55.7 million was included in other noncurrent liabilities on the consolidated balance sheet at December 31, 2017. As of December 31, 2018, we have no liability for the transition tax on previously deferred foreign earnings.

<sup>(3)</sup> The noncurrent portion of accrued buyout liability of \$59.4 million and \$64.1 million is included in other noncurrent liabilities on the consolidated balance sheets as of December 31, 2018 and 2017, respectively.

**NOTE 10—INCOME TAX**

The income tax provision (benefit) for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016 consisted of the following:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
	(in thousands)			
Current income tax provision (benefit):				
Federal	\$ (20,984)	\$ 79,903	\$ 22,859	\$ 26,493
State	21,122	3,468	3,443	5,454
Foreign	79,320	67,851	42,681	56,689
	<u>79,458</u>	<u>151,222</u>	<u>68,983</u>	<u>88,636</u>
Deferred income tax provision (benefit):				
Federal	(8,760)	(266,869)	(36,447)	(18,205)
State	(1,684)	9,678	(1,842)	(3,620)
Foreign	8,474	4,582	4,967	3,884
	<u>(1,970)</u>	<u>(252,609)</u>	<u>(33,322)</u>	<u>(17,941)</u>
	<u>\$ 77,488</u>	<u>\$ (101,387)</u>	<u>\$ 35,661</u>	<u>\$ 70,695</u>

The income tax provision allocated to noncontrolling interests was \$10.6 million and \$8.6 million for the years ended December 31, 2018 and 2017, \$4.4 million for the 2016 fiscal transition period and \$7.3 million for the year ended May 31, 2016.



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The following table presents income (loss) before income taxes for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
	(in thousands)			
United States	\$ 131,067	\$ 29,692	\$ (55,279)	\$ 59,876
Foreign	431,089	362,991	228,623	301,036
	<u>\$ 562,156</u>	<u>\$ 392,683</u>	<u>\$ 173,344</u>	<u>\$ 360,912</u>

On December 22, 2017, the United States enacted the 2017 U.S. Tax Act, which resulted in numerous changes, including a reduction in the U.S. federal tax rate from 35% to 21% effective January 1, 2018 and the transition of the U.S. federal tax system to a territorial regime. As part of this transition, the 2017 U.S. Tax Act imposed a one-time mandatory "transition" tax on foreign earnings not previously subjected to U.S. income tax.

Following the guidance in SAB 118, we made reasonable estimates of the effects of the 2017 U.S. Tax Act on our existing deferred tax balances and the one-time transition tax. For these items, which are further described below, we recognized a provisional net income tax benefit of \$158.7 million, which was included as a component of income tax benefit in our consolidated statement of income for the year ended December 31, 2017.

We remeasured our U.S. deferred tax assets and liabilities based on the rates at which they are expected to reverse, which is now 21% instead of 35% and recorded a provisional income tax benefit of \$222.4 million for the year ended December 31, 2017. The one-time transition tax established by the 2017 U.S. Tax Act is based on our total post-1986 foreign earnings and profits, offset by allowable foreign tax credits. The transition tax rate applied to our foreign earnings is based on the amount of those earnings held in cash and cash equivalents, as well as other assets. For the year ended December 31, 2017, we recorded a provisional income tax expense of \$63.7 million for the transition tax on our previously deferred foreign earnings. During 2018, we continued to analyze other provisions of the 2017 U.S. Tax Act, including the effects on our foreign tax pools and resulting foreign tax credits, and reduced our estimated transition tax liability to \$40.4 million, which resulted in an income tax benefit of \$23.3 million. As of December 31, 2018, we have completed our accounting for the transition effects of the 2017 U.S. Tax Act.

Approximately \$18 million of our undistributed foreign earnings are considered to be indefinitely reinvested outside the United States as of December 31, 2018. Because those earnings are considered to be indefinitely reinvested, no deferred income taxes have been provided thereon. If we were to make a distribution of any portion of those earnings in the form of dividends or otherwise, any such amounts would be subject to withholding taxes payable to various foreign jurisdictions; however, the amounts would not be subject to any additional U.S. income tax.

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Our effective tax rates for periods presented differ from the federal statutory rate for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016 as follows:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
Federal U.S. statutory rate	21.0 %	35.0 %	35.0 %	35.0 %
State income taxes, net of federal income tax benefit	2.7	1.9	0.6	0.4
Foreign income taxes (primarily U.K.)	(0.5)	(12.0)	(12.6)	(10.1)
Foreign interest income not subject to tax	(1.7)	(2.2)	(2.3)	(2.6)
Federal U.S. transition tax	(4.1)	16.2	—	—
Federal U.S. rate reduction	—	(55.6)	—	—
Other SAB 118 adjustments	(0.6)	—	—	—
Share-based compensation expense	(2.1)	(4.2)	—	—
Foreign-derived intangible income deduction	(1.6)	—	—	—
Taxes on unremitted earnings	—	—	—	(3.5)
Valuation allowance	1.4	(3.2)	—	—
Other	(0.7)	(1.7)	(0.1)	0.4
Effective tax rate	13.8 %	(25.8)%	20.6 %	19.6 %

Deferred income taxes are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax laws and rates. Deferred income taxes as of December 31, 2018 and 2017 reflect the effect of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. As of December 31, 2018 and 2017, principal components of deferred tax items were as follows:

	2018	2017
	(in thousands)	
Deferred income tax assets:		
Basis difference - U.K. business	\$ 4,890	\$ 8,961
Domestic net operating loss carryforwards	20,096	17,228
Foreign net operating loss carryforwards	10,833	3,819
Share-based compensation expense	11,333	7,856
Accrued expenses	35,913	34,582
Other	16,906	18,502
	99,971	90,948
Less valuation allowance	(23,390)	(16,550)
	76,581	74,398
Deferred tax liabilities:		
Acquired intangibles	522,636	410,563
Property and equipment	102,654	77,481
Other	28,188	10,087
	653,478	498,131
Net deferred income tax liability	\$ (576,897)	\$ (423,733)

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The net deferred income taxes reflected on our consolidated balance sheets as of December 31, 2018 and 2017 are as follows:

	2018	2017
	(in thousands)	
Noncurrent deferred income tax asset	\$ 8,128	\$ 13,146
Noncurrent deferred income tax liability	(585,025)	(436,879)
Net deferred income tax liability	<u>\$ (576,897)</u>	<u>\$ (423,733)</u>

A valuation allowance is provided against deferred tax assets when it is more likely than not that some portion or all of the deferred tax assets will not be realized. Changes to our valuation allowance during the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016 are summarized below (in thousands):

Balance at May 31, 2015	\$ (3,823)
Allowance for foreign income tax credit carryforward	(7,140)
Allowance for domestic net operating loss carryforwards	(4,474)
Allowance for domestic net unrealized capital loss	(1,526)
Release of allowance of domestic capital loss carryforward	1,746
Other	98
Balance at May 31, 2016	<u>(15,119)</u>
Allowance for domestic net operating loss carryforwards	(1,504)
Release of allowance of domestic net unrealized capital loss	12
Balance at December 31, 2016	<u>(16,611)</u>
Allowance for foreign net operating loss carryforwards	(6,469)
Allowance for domestic net operating loss carryforwards	(3,793)
Allowance for state credit carryforwards	(685)
Rate change on domestic net operating loss and capital loss carryforwards	3,868
Utilization of foreign income tax credit carryforward	7,140
Balance at December 31, 2017	<u>(16,550)</u>
Allowance for foreign net operating loss carryforwards	(7,979)
Allowance for domestic net operating loss carryforwards	1,145
Allowance for state credit carryforwards	(6)
Balance at December 31, 2018	<u>\$ (23,390)</u>

The increase in the valuation allowance related to foreign net operating loss carryforwards of \$8.0 million for the year ended December 31, 2018. The increase in the valuation allowance of \$10.3 million for the year ended December 31, 2017 relates primarily to carryforward assets recorded as part of the acquisition of ACTIVE Network. The increase in the valuation allowance related to domestic net operating loss carryforwards of \$1.5 million and \$4.5 million for the 2016 fiscal transition period and the year ended May 31, 2016, respectively, relates to acquired carryforwards from the merger with Heartland.

Foreign net operating loss carryforwards of \$68.3 million and domestic net operating loss carryforwards of \$38.6 million at December 31, 2018 will expire between December 31, 2026 and December 31, 2038 if not utilized.

We conduct business globally and file income tax returns in the domestic federal jurisdiction and various state and foreign jurisdictions. In the normal course of business, we are subject to examination by taxing authorities around the world. We are no longer subjected to state income tax examinations for fiscal years ended on or before May 31, 2008, U.S. federal income tax examinations for fiscal ended on or before May 31, 2013 and U.K. federal income tax examinations for fiscal years ended on or before May 31, 2014.

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A reconciliation of the beginning and ending amounts of unrecognized income tax benefits, excluding penalties and interest, for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016 is as follows:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
(in thousands)				
Balance at the beginning of the year	\$ 31,218	\$ 17,916	\$ 7,803	\$ 2,559
Additions based on income tax positions related to the current year	—	7,537	4,626	287
Additions related to acquisition	—	13,061	6,149	6,151
Additions for income tax positions of prior years	—	411	247	753
Effect of foreign currency fluctuations on income tax positions	—	27	(3)	2
Reductions for income tax positions of prior years	(10,021)	(7,285)	(906)	(123)
Settlements with income tax authorities	—	(449)	—	(1,826)
Balance at the end of the year	\$ 21,197	\$ 31,218	\$ 17,916	\$ 7,803

As of December 31, 2018, the total amount of gross unrecognized income tax benefits that, if recognized, would affect the provision for income taxes is \$21.2 million.

**NOTE 11—SHAREHOLDERS' EQUITY**

We make repurchases of our common stock mainly through the use of open market purchases and, at times, through accelerated share repurchase programs ("ASRs"). As of December 31, 2018, we were authorized to repurchase up to \$387.8 million of our common stock. On February 5, 2019, the board of directors increased its authorization to repurchase shares of our common stock to \$750 million, inclusive of prior share repurchase programs authorized by the board and repurchases made thereunder.

Information about shares repurchased and retired was as follows for the periods indicated:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
(in thousands, except per share amounts)				
Number of shares repurchased and retired	1,927	376	2,518	2,152
Cost of shares repurchased, including commissions	\$ 212,196	\$ 34,811	\$ 178,165	\$ 135,954
Average cost per share	\$ 110.11	\$ 92.51	\$ 70.77	\$ 63.17

On April 25, 2016, we entered into an ASR with a financial institution to repurchase an aggregate of \$50 million of our common stock. In exchange for an up-front payment of \$50 million, the financial institution committed to deliver a number of shares during the ASR's purchase period, which ended on June 23, 2016. On April 26, 2016, 545,777 shares were initially delivered to us. At May 31, 2016, we accounted for the variable component of remaining shares to be delivered under the ASR as a forward contract indexed to our common stock which met all of the applicable criteria for equity classification. On June 23, 2016, an additional 127,435 shares were delivered to us. The total number of shares delivered under this ASR was 673,212 shares at an average price of \$74.27 per share. In addition to shares repurchased under the ASR during the year ended May 31, 2016, we repurchased and retired 1.5 million shares of our common stock at a cost of \$85.9 million, or an average cost of \$58.12 per share, including commissions, through open market repurchase plans.

**NOTE 12—SHARE-BASED AWARDS AND OPTIONS**

We have granted nonqualified stock options and restricted stock awards to key employees, officers and directors under a long-term incentive plan, which permits grants of equity to employees, officers, directors and consultants. A total of 14.0 million shares of our common stock was reserved and made available for issuance pursuant to awards granted under the plan. The awards are held in escrow and released upon the grantee's satisfaction of conditions of the award certificate.

The following table summarizes share-based compensation expense and the related income tax benefit recognized for our share-based awards and stock options:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
	(in thousands)			
Share-based compensation expense	\$ 57,826	\$ 39,095	\$ 18,707	\$ 30,809
Income tax benefit	\$ 13,038	\$ 13,849	\$ 6,582	\$ 9,879

***Restricted Stock***

Restricted stock awards vest in equal annual installments over a three-year period and in some cases vest at the end of a three-year service period. Restricted shares cannot be sold or transferred until they have vested. The grant date fair value of restricted stock awards, which is based on the quoted market value of our common stock on the grant date, is recognized as share-based compensation expense on a straight-line basis over the vesting period.

***Performance Units***

Certain of our executives have been granted performance units under our long-term incentive plan. Performance units are performance-based restricted stock units that, after a performance period, may convert into common shares, which may be restricted. The number of shares is dependent upon the achievement of certain performance measures during the performance period. The target number of performance units and any market-based performance measures ("at threshold," "target," and "maximum") are set by the compensation committee of our board of directors ("Compensation Committee"). Performance units are converted only after the compensation committee certifies performance based on pre-established goals.

The Compensation Committee may set a range of possible performance-based outcomes for performance units. For awards with only performance conditions, we recognize compensation expense on a straight-line basis over the performance period using the grant date fair value of the award, which is based on the number of shares expected to be earned according to the level of achievement of performance goals. If the number of shares expected to be earned were to change at any time during the performance period, we would make a cumulative adjustment to share-based compensation expense based on the revised number of shares expected to be earned. The performance periods for awards granted generally range from 28 months to three years.

During the year ended December 31, 2018, certain of our executives were granted performance units that may be earned based on achievement of an annual adjusted EPS growth target, as modified up or down by our total shareholder return performance rank relative to the Standard & Poors 500 Index over a three-year performance period. The maximum payout is four times the target number of performance units and the minimum payout is zero. To the extent earned, these performance units convert into unrestricted shares after performance results for the three-year performance period are certified by the Compensation Committee. We recognize share-based compensation expense based on the grant-date fair value of the performance-based restricted stock units, as determined by use of a Monte Carlo model, on a straight-line basis over the performance period.

***Leveraged Performance Units***

During the year ended May 31, 2015, certain executives were granted performance units that we refer to as "leveraged performance units," or "LPUs." LPUs contain a market condition based on our relative stock price growth over a three-year performance period. The LPUs contain a minimum threshold performance which, if not met, would result in no payout. The LPUs

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also contain a maximum award opportunity set as a fixed dollar and fixed number of shares. After the three-year performance period, which concluded in October 2017, one-third of the earned units converted to unrestricted common stock. The remaining two-thirds converted to restricted stock that will vest in equal installments on each of the first two anniversaries of the conversion date. We recognize share-based compensation expense based on the grant date fair value of the LPUs, as determined by use of a Monte Carlo model, on a straight-line basis over the requisite service period for each separately vesting portion of the LPU award.

The following table summarizes the changes in invested restricted stock and performance awards for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016:

	Shares	Weighted-Average Grant-Date Fair Value
	(in thousands)	
Unvested at May 31, 2015	1,848	\$28.97
Granted	461	57.04
Vested	(633)	27.55
Forfeited	(70)	34.69
Unvested at May 31, 2016	1,606	37.25
Granted	348	74.26
Vested	(639)	31.38
Forfeited	(52)	45.27
Unvested at December 31, 2016	1,263	49.55
Granted	899	79.79
Vested	(858)	39.26
Forfeited	(78)	59.56
Unvested at December 31, 2017	1,226	78.29
Granted	650	109.85
Vested	(722)	60.08
Forfeited	(70)	91.47
Unvested at December 31, 2018	1,084	\$108.51

The total fair value of restricted stock and performance awards vested was \$43.4 million and \$33.7 million for the years ended December 31, 2018 and 2017, respectively, \$20.0 million for the 2016 fiscal transition period and \$17.4 million for the year ended May 31, 2016.

For restricted stock and performance awards, we recognized compensation expense of \$53.2 million and \$35.2 million for the years ended December 31, 2018 and 2017, respectively, \$17.2 million for the 2016 fiscal transition period and \$28.8 million for the year ended May 31, 2016. As of December 31, 2018, there was \$62.7 million of unrecognized compensation expense related to unvested restricted stock and performance awards that we expect to recognize over a weighted-average period of 2.0 years. Our restricted stock and performance award plans provide for accelerated vesting under certain conditions.

### ***Stock Options***

Stock options are granted with an exercise price equal to 100% of fair market value of our common stock on the date of grant and have a term of ten years. Stock options vest in equal installments on each of the first three anniversaries of the grant date. Our stock option plans provide for accelerated vesting under certain conditions.

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The following table summarizes changes in stock option activity for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016:

	Options (in thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term (years)	Aggregate Intrinsic Value (in millions)
Outstanding at May 31, 2015	894	\$25.47	5.2	\$23.9
Granted	145	55.92		
Forfeited	(8)	16.10		
Exercised	(220)	22.46		9.4
Outstanding at May 31, 2016	811	31.81	5.8	36.8
Granted	73	74.66		
Forfeited	(1)	22.93		
Exercised	(124)	22.26		6.5
Outstanding at December 31, 2016	759	37.51	6.0	24.5
Granted	124	79.45		
Forfeited	—	—		
Exercised	(160)	23.50		10.1
Outstanding at December 31, 2017	723	47.79	6.4	37.9
Granted	103	114.70		
Forfeited	(22)	100.38		
Exercised	(206)	42.65		16.5
Outstanding at December 31, 2018	598	\$59.16	6.2	\$27.3
Options vested and exercisable at December 31, 2018	427	\$44.34	5.2	\$25.1

We recognized compensation expense for stock options of \$2.7 million and \$2.6 million during the years ended December 31, 2018 and 2017, respectively, \$1.1 million during the 2016 fiscal transition period and \$1.4 million during the fiscal year ended May 31, 2016. As of December 31, 2018, we had \$3.3 million of unrecognized compensation expense related to unvested stock options that we expect to recognize over a weighted-average period of 1.8 years.

The weighted-average grant-date fair value of stock options granted during the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and during the year ended May 31, 2016 was \$35.09, \$23.68, \$21.87 and \$15.60, respectively. Fair value was estimated on the date of grant using the Black-Scholes valuation model with the following weighted-average assumptions:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
Risk-free interest rate	2.60%	1.99%	1.05%	1.62%
Expected volatility	29%	30%	32%	29%
Dividend yield	0.04%	0.06%	0.06%	0.10%
Expected term (years)	5	5	5	5

The risk-free interest rate is based on the yield of a zero coupon U.S. Treasury security with a maturity equal to the expected life of the option from the date of the grant. Our assumption on expected volatility is based on our historical volatility. The dividend yield assumption is calculated using our average stock price over the preceding year and the annualized amount of our most current

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quarterly dividend per share. We based our assumptions on the expected term of the options on our analysis of the historical exercise patterns of the options and our assumption on the future exercise pattern of options.

**NOTE 13—SUPPLEMENTAL CASH FLOW INFORMATION**

Supplemental cash flow disclosures for the periods presented are as follows:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
	(in thousands)			
Income taxes paid (refunded), net	\$ 101,302	\$ 97,002	\$ (3,680)	\$ 89,684
Interest paid	\$ 177,525	\$ 154,200	\$ 93,624	\$ 58,730

**NOTE 14—NONCONTROLLING INTERESTS**

The following table is the reconciliation of net income attributable to noncontrolling interests to comprehensive income attributable to noncontrolling interests for the periods presented:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
	(in thousands)			
Net income attributable to noncontrolling interests	\$ 32,614	\$ 25,645	\$ 12,752	\$ 18,551
Foreign currency translation attributable to noncontrolling interests	(2,696)	13,807	(8,417)	471
Comprehensive income attributable to noncontrolling interests	\$ 29,918	\$ 39,452	\$ 4,335	\$ 19,022

**NOTE 15—ACCUMULATED OTHER COMPREHENSIVE LOSS**

The changes in the accumulated balances for each component of other comprehensive income (loss), net of tax, were as follows for the periods presented:

	Foreign Currency Translation	Unrealized Gains (Losses) on Hedging Activities	Other	Accumulated Other Comprehensive Loss
	(in thousands)			
Balance at May 31, 2015	\$ (178,309)	\$ (3,874)	\$ (3,809)	\$ (185,992)
Other comprehensive loss	(56,329)	(2,881)	(848)	(60,058)
Balance at May 31, 2016	(234,638)	(6,755)	(4,657)	(246,050)
Other comprehensive income (loss)	(83,812)	6,115	1,030	(76,667)
Balance at December 31, 2016	(318,450)	(640)	(3,627)	(322,717)
Other comprehensive income (loss)	132,594	7,639	(660)	139,573
Balance at December 31, 2017	(185,856)	6,999	(4,287)	(183,144)
Cumulative effect of adoption of new accounting standards	(1,843)	—	—	(1,843)
Other comprehensive income (loss)	(116,575)	(9,373)	760	(125,188)
Balance at December 31, 2018	\$ (304,274)	\$ (2,374)	\$ (3,527)	\$ (310,175)



**NOTE 16—SEGMENT INFORMATION**

**Information About Profit and Assets**

We operate in three reportable segments: North America, Europe and Asia-Pacific. We evaluate performance and allocate resources based on the operating income of each operating segment. The operating income of each operating segment includes the revenues of the segment less expenses that are directly related to those revenues. Operating overhead, shared costs and certain compensation costs are included in Corporate in the following table. Interest and other income, interest and other expense and provision for income taxes are not allocated to the individual segments. We do not evaluate the performance of or allocate resources to our operating segments using asset data. The accounting policies of the reportable operating segments are the same as those described in the Summary of Significant Accounting Policies in "Note 1 - Basis of Presentation and Summary of Significant Accounting Policies."

Information on segments and reconciliations to consolidated revenues and consolidated operating income are as follows for the periods presented:

	Year Ended December 31,		Seven Months Ended December 31,	Year Ended May 31,
	2018	2017	2016	2016
(in thousands)				
<u>Revenues</u> <sup>(1)(2)</sup> :				
North America	\$ 2,522,284	\$ 2,929,522	\$ 1,650,616	\$ 2,052,623
Europe	610,930	767,524	403,823	631,900
Asia-Pacific	233,152	278,117	148,457	213,627
Consolidated revenues	\$ 3,366,366	\$ 3,975,163	\$ 2,202,896	\$ 2,898,150
<u>Operating income (loss)</u> <sup>(2)</sup> :				
North America	\$ 570,630	\$ 457,009	\$ 233,850	\$ 307,626
Europe	318,392	272,769	145,767	244,837
Asia-Pacific	93,402	81,273	37,530	50,743
Corporate <sup>(2)</sup>	(245,369)	(252,183)	(179,196)	(178,262)
Consolidated operating income	\$ 737,055	\$ 558,868	\$ 237,951	\$ 424,944
<u>Depreciation and amortization</u> <sup>(2)</sup> :				
North America	\$ 444,182	\$ 379,953	\$ 208,198	\$ 128,618
Europe	46,007	46,928	26,178	40,194
Asia-Pacific	24,935	16,466	10,385	13,935
Corporate	7,689	7,804	2,810	5,134
Consolidated depreciation and amortization	\$ 522,813	\$ 451,151	\$ 247,571	\$ 187,881

<sup>(1)</sup> As more fully described in "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" and "Note 3—Revenues" we adopted a new revenue accounting standard on January 1, 2018 that results in revenue being presented net of certain fees that we pay to third parties, including payment networks. This change in presentation affected our reported revenues and operating expenses during the year ended December 31, 2018 by the same amount and had no effect on operating income.

<sup>(2)</sup> Revenues, operating income and depreciation and amortization reflect the effect of acquired businesses from the respective dates of acquisition. For further discussion, see "Note 2—Acquisitions."

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<sup>(3)</sup>During the years ended December 31, 2018 and 2017, 2016 fiscal transition period and the year ended May 31, 2016, operating loss for Corporate included acquisition and integration expenses of \$56.1 million, \$94.6 million, \$91.6 million, and \$51.3 million, respectively.

**Enterprise-Wide Information**

As a percentage of our total consolidated revenues, revenues from external customers in the United States and the United Kingdom were 67% and 9%, respectively, for the year ended December 31, 2018, 66% and 11%, respectively, for the year ended December 31, 2017 and 67% and 10%, respectively, for the 2016 transition period. Revenues from external customers in the United States, the United Kingdom, and Canada were 61%, 10% and 10%, respectively, for the year ended May 31, 2016. Revenues from external customers are attributed to individual countries based on the location of the customer arrangements. Our results of operations and our financial condition are not significantly reliant upon any single customer.

Long-lived assets, excluding goodwill and other intangible assets, by location as of December 31, 2018 and 2017 were as follows:

	<u>2018</u>	<u>2017</u>
	(in thousands)	
United States	\$ 516,449	\$ 451,436
Foreign countries	137,093	136,912
	<u>\$ 653,542</u>	<u>\$ 588,348</u>

**NOTE 17—COMMITMENTS AND CONTINGENCIES**

**Leases and Purchase Obligations**

We conduct a major part of our operations using leased facilities and equipment. Many of our operating leases include escalating rental payments, renewal options and purchase options. Certain of the agreements provide that we pay the cost of property taxes, insurance and maintenance. Rent expense on all operating leases for the years ended December 31, 2018 and 2017, the 2016 fiscal transition period and the year ended May 31, 2016 was \$47.1 million, \$44.7 million, \$19.2 million and \$19.7 million, respectively. We also have contractual obligations related to service arrangements with suppliers for fixed or minimum amounts.

In May 2017, we sold our operating facility in Jeffersonville, Indiana for \$37.5 million and simultaneously leased the property back for an initial term of 20 years, followed by four optional renewal terms of 5 years. The arrangement met the criteria to be treated as a sale for accounting purposes, and as a result, we derecognized the associated property. There was no resulting gain or loss on the sale because the proceeds received were equal to the carrying amount of the property. We are accounting for the lease as an operating lease.

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Future minimum payments at December 31, 2018 for noncancelable operating leases and purchase obligations were as follows:

	<u>Operating Leases</u>	<u>Purchase Obligations</u>
	(in thousands)	
<b>Years ending December 31:</b>		
2019	\$ 50,095	\$ 88,022
2020	47,700	69,878
2021	40,035	62,234
2022	37,055	25,420
2023	33,298	22,909
Thereafter	225,225	33,538
Total future minimum payments <sup>(1)</sup>	<u>\$ 433,408</u>	<u>\$ 302,001</u>

<sup>(1)</sup> Future minimum lease payments include approximately \$70 million for operating lease agreements not commenced at December 31, 2018.

### Legal

We are party to a number of claims and lawsuits incidental to our business. In our opinion, the liabilities, if any, which may ultimately result from the outcome of such matters, individually or in the aggregate, are not expected to have a material adverse effect on our financial position, liquidity, results of operations or cash flows.

### Operating Taxes

We are subject to certain taxes that are not derived based on earnings (e.g., sales, gross receipts, property, value-added and other business taxes). During the course of operations, we must interpret the meaning of various operating tax regulations in the United States and in the foreign jurisdictions in which we do business. Taxing authorities in those various jurisdictions may arrive at different interpretations of applicable tax laws and regulations which could result in the payment of additional taxes in those jurisdictions.

### BIN/ICA Agreements

We have entered into sponsorship or depository and processing agreements with certain banks. These agreements allow us to use the banks' identification numbers, referred to as Bank Identification Number ("BIN") for Visa transactions and an Interbank Card Association ("ICA") number for Mastercard transactions, to clear credit card transactions through Visa and Mastercard. Certain of these agreements contain financial covenants, and we were in compliance with all such covenants as of December 31, 2018.

**NOTE 18—COMPARATIVE DATA FOR THE YEAR ENDED DECEMBER 31, 2016 AND THE SEVEN MONTHS ENDED DECEMBER 31, 2015  
(UNAUDITED)**

The condensed consolidated statement of income for the year ended December 31, 2016 and the seven months ended December 31, 2015 is as follows (in thousands, except per share data):

	<b>Year Ended December 31, 2016</b>	<b>Seven Months Ended December 31, 2015</b>
Revenues	\$ 3,370,976	\$ 1,730,070
Operating expenses:		
Cost of service	1,603,532	638,700
Selling, general and administrative	1,411,096	784,823
	<u>3,014,628</u>	<u>1,423,523</u>
Operating income	356,348	306,547
Interest and other income	46,780	2,886
Interest and other expense	(146,156)	(32,149)
	<u>(99,376)</u>	<u>(29,263)</u>
Income before income taxes	256,972	277,284
Provision for income taxes	(36,267)	(70,089)
Net income	220,705	207,195
Less: Net income attributable to noncontrolling interests	(18,952)	(12,351)
Net income attributable to Global Payments	<u>\$ 201,753</u>	<u>\$ 194,844</u>
Earnings per share attributable to Global Payments:		
Basic earnings per share	<u>\$ 1.38</u>	<u>\$ 1.50</u>
Diluted earnings per share	<u>\$ 1.37</u>	<u>\$ 1.49</u>

**NOTE 19—QUARTERLY CONSOLIDATED FINANCIAL INFORMATION (UNAUDITED)**

Summarized quarterly results for the years ended December 31, 2018 and 2017 are as follows (in thousands, except per share data):

	Quarter Ended			
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018
<b>Year Ended December 31, 2018</b>				
Revenues	\$ 794,977	\$ 833,164	\$ 857,670	\$ 880,555
Operating income	156,170	190,737	223,162	166,986
Net income	97,586	117,729	186,029	83,323
Net income attributable to Global Payments	91,399	109,069	176,370	75,215
Basic earnings per share attributable to Global Payments	0.57	0.69	1.12	0.48
Diluted earnings per share attributable to Global Payments	0.57	0.68	1.11	0.47

	Quarter Ended			
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
<b>Year Ended December 31, 2017</b>				
Revenues	\$ 919,762	\$ 962,240	\$ 1,038,907	\$ 1,054,253
Operating income	104,970	131,852	172,471	149,575
Net income	52,959	72,443	118,362	250,305
Net income attributable to Global Payments	48,813	66,909	110,740	241,962
Basic earnings per share attributable to Global Payments	0.32	0.44	0.72	1.52
Diluted earnings per share attributable to Global Payments	0.32	0.44	0.71	1.51

As more fully described in "Note 1—Basis of Presentation and Summary of Significant Accounting Policies" and "Note 3—Revenues" we adopted a new revenue accounting standard on January 1, 2018 that results in revenue being presented net of certain fees that we pay to third parties, including payment networks. This change in presentation affected our reported revenues and operating expenses during each of the quarterly periods in the year ended December 31, 2018 by the same amount and had no effect on operating income.

The quarterly financial data in the table above reflect the effects of acquisitions and borrowings to fund certain of those acquisitions. Notably, we acquired ACTIVE Network during the quarter ended September 30, 2017, AdvancedMD during the quarter ended September 30, 2018 and SICOM during the quarter ended December 31, 2018. Additionally, our consolidated results reflected incremental expenses associated with the acquisition and integration of acquired businesses. See "Note 2—Acquisitions" for further discussion of our acquisitions.

Acquisition and integration expenses were \$18.3 million, \$8.1 million, \$8.2 million and \$21.7 million for the quarters ended March 31, 2018, June 30, 2018, September 30, 2018 and December 31, 2018, respectively. Acquisition and integration expenses were \$26.1 million, \$21.9 million, \$21.5 million and \$25.1 million for the quarters ended March 31, 2017, June 30, 2017, September 30, 2017 and December 31, 2017, respectively.

Results for the quarter ended December 31, 2017 reflect the effects of a net income tax benefit of \$158.7 million in connection with the 2017 U.S. Tax Act, which was enacted on December 22, 2017. Results for the quarter ended September 30, 2018 reflect the effects of a net income tax benefit of \$23.3 million in connection with adjustments made to accounting estimates associated with the 2017 U.S. Tax Act. See "Note 10—Income Tax" for further discussion of the recently enacted U.S. tax legislation.

**GLOBAL PAYMENTS INC.  
SCHEDULE II**

**Valuation & Qualifying Accounts  
(in thousands)**

(a)	(b)	(c)	(d)	(e)
Description	Balance at Beginning of Period	Additions: Charged to Costs and Expenses	Deductions: Uncollectible Accounts Write- Offs (Recoveries)	Balance at End of Period
<b>Allowance for doubtful accounts</b>				
May 31, 2016	\$ 468	\$ 515	\$ 630	\$ 353
December 31, 2016 <sup>(1)</sup>	353	4,283	3,544	1,092
December 31, 2017	1,092	6,113	5,378	1,827
December 31, 2018	\$ 1,827	\$ 10,430	\$ 9,093	\$ 3,164
<b>Reserve for operating losses-merchant card processing <sup>(2)</sup></b>				
May 31, 2016	\$ 1,286	\$ 3,729	\$ 2,555	\$ 2,460
December 31, 2016 <sup>(1)</sup>	2,460	4,629	4,810	2,279
December 31, 2017	2,279	14,893	13,712	3,460
December 31, 2018	\$ 3,460	\$ 16,068	\$ 16,740	\$ 2,788
<b>Reserve for sales allowances-merchant card processing <sup>(2)</sup></b>				
May 31, 2016	\$ 4,929	\$ 3,571	\$ 7,450	\$ 1,050
December 31, 2016 <sup>(1)</sup>	1,050	2,637	3,027	660
December 31, 2017	660	3,874	3,954	580
December 31, 2018	\$ 580	\$ 6,244	\$ 5,400	\$ 1,424
<b>Reserve for operating losses-check guarantee processing</b>				
May 31, 2016	\$ 2,684	\$ 22,827	\$ 20,643	\$ 4,868
December 31, 2016 <sup>(1)</sup>	4,868	15,204	14,286	5,786
December 31, 2017	5,786	28,064	28,112	5,738
December 31, 2018	\$ 5,738	\$ 19,314	\$ 19,987	\$ 5,065
<b>Deferred income tax asset valuation allowance</b>				
May 31, 2016	\$ 3,823	\$ 11,296	\$ —	\$ 15,119
December 31, 2016 <sup>(1)</sup>	15,119	1,492	—	16,611
December 31, 2017	16,611	7,079	7,140	16,550
December 31, 2018	\$ 16,550	\$ 6,840	\$ —	\$ 23,390

<sup>(1)</sup> Additions and deductions in columns (c) and (d), respectively, are for the seven months ended December 31, 2016.

<sup>(2)</sup> Included in settlement processing obligations.

## ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A - CONTROLS AND PROCEDURES

### Evaluation of Disclosure Controls and Procedures

As of December 31, 2018, management carried out, under the supervision and with the participation of our principal executive officer and principal financial officer, an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934). Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of December 31, 2018, our disclosure controls and procedures were effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in applicable rules and forms and are designed to ensure that information required to be disclosed in those reports is accumulated and communicated to management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

### Management's Report on Internal Control over Financial Reporting

Our management team is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2018. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") in the *Internal Control — Integrated Framework (2013)*.

We completed acquisitions of AdvancedMD and SICOM in the third and fourth quarters of 2018, respectively. As permitted by the SEC rules and regulations, management's assessment did not include the internal control of the acquired operations of these acquired businesses which are included in our consolidated financial statements as of December 31, 2018 and for the periods from the acquisition dates through December 31, 2018. In accordance with our integration efforts, we plan to incorporate the operations of the acquired businesses into our internal control over financial reporting program within the time period provided by applicable SEC rules and regulations. The assets, excluding goodwill, of these acquired businesses constituted approximately 5% of our total consolidated assets as of December 31, 2018. These acquired businesses comprised less than 2% of our total consolidated revenues and did not contribute to our consolidated operating income for the year ended December 31, 2018.

Based on the results of its evaluation, which excluded assessments of the internal control of the acquired operations of AdvancedMD and SICOM, management believes that as of December 31, 2018, our internal control over financial reporting is effective based on those criteria.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate. Internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives because of its inherent limitations. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper management override. Due to such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. However, these inherent limitations are known features of the financial reporting process. Therefore, it is possible to design into the process safeguards to reduce, though not eliminate, such risk.

### Attestation Report of Public Accounting Firm

Deloitte & Touche LLP has issued an attestation report on our internal control over financial reporting, which is included herein as the Report of Independent Registered Public Accounting Firm under Item 8 - Financial Statements and Supplementary Data for the year ended December 31, 2018.

**Changes in Internal Control over Financial Reporting**

On September 1, 2017, we completed our acquisition of ACTIVE Network, which we have since been integrating into our North America segment. As part of our integration activities, we have completed the incorporation of ACTIVE Network's operations into our internal control over financial reporting program.

In the fourth quarter of 2018, we completed our acquisition of SICOM, which is being integrated into our North America segment. In accordance with our integration efforts, we plan to incorporate the operations of SICOM into our internal control over financial reporting program within the time period provided by the applicable SEC rules and regulations.

In the fourth quarter of 2018, we also added internal controls over disclosure related to the expected accounting and reporting effects of the new lease accounting standard, which is effective for us on January 1, 2019. We also implemented a new technology solution to assist with the necessary calculations to support the accounting and disclosure requirements of the new lease accounting standard.



**PART III****ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

We incorporate by reference in this Item 10 information about our directors, executive officers and our corporate governance contained under the headings "Proposal 1: Election of Directors" and "Biographical Information About Our Executive Officers" and information about compliance with Section 16(a) of the Securities and Exchange Act of 1934 by our directors and executive officers under the heading "Additional Information-Section 16(a) Beneficial Ownership Reporting Compliance" from our proxy statement to be delivered in connection with our 2019 Annual Meeting of Shareholders to be held on April 25, 2019 ("2019 Proxy Statement").

We have adopted codes of ethics that apply to our senior financial officers. The senior financial officers include our Chief Executive Officer, Chief Financial Officer, Chief Accounting Officer, Controller or persons performing similar functions. The code of ethics is available in the investor relations section of our website at [www.globalpaymentsinc.com](http://www.globalpaymentsinc.com) and as indicated in the section entitled "Where To Find Additional Information" in Part I to this Annual Report. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding an amendment to, or a waiver from, a provision of our code of ethics by posting such information on our website at the address and location set forth above.

**ITEM 11 - EXECUTIVE COMPENSATION**

We incorporate by reference in this Item 11 the information relating to executive and director compensation and the report of the Compensation Committee contained under the headings "Compensation Discussion and Analysis" and "Board and Corporate Governance-Director Compensation" from our 2019 Proxy Statement.

**ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

We incorporate by reference in this Item 12 the information relating to ownership of our common stock by certain persons contained under the headings "Common Stock Ownership-Common Stock Ownership by Management" and "Common Stock Ownership-Common Stock Ownership by Non-Management Shareholders" from our 2019 Proxy Statement.

The following table provides certain information as of December 31, 2018 concerning the shares of our common stock that may be issued under existing equity compensation plans. For more information on these plans, see "Note 12—Share-Based Awards and Options" in the notes to the accompanying consolidated financial statements.

<u>Plan category</u>	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	597,669	\$ 59.16	12,883,324
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>597,669</b>	<b>\$ 59.16</b>	<b>12,883,324</b>

The number of securities remaining available for future issuance under equity compensation plans reflected in column (c) above includes 10,610,164 shares authorized for issuance under our 2011 Amended and Restated Incentive Plan, all of which are available for issuance pursuant to grants of full-value stock awards, 2,173,140 shares authorized under our 2000 Employee Stock Purchase Plan, 33,684 shares authorized under our Amended and Restated 2005 Incentive Plan and 66,336 shares authorized under our 2000 Non-Employee Director Stock Option Plan. We do not intend to issue shares under either the Amended and Restated 2005 Incentive Plan or the 2000 Non-Employee Director Stock Option Plan.

**ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

We incorporate by reference in this Item 13 the information regarding certain relationships and related transactions between us and our affiliates and the independence of our directors contained under the headings "Additional Information--Relationships and Related Party Transactions" and "Board and Corporate Governance-Board Independence" from our 2019 Proxy Statement.

**ITEM 14 - PRINCIPAL ACCOUNTING FEES AND SERVICES**

We incorporate by reference in this Item 14 the information regarding principal accounting fees and services contained under the heading "Proposal Three: Ratification of Reappointment of Auditors" from our 2019 Proxy Statement.

**PART IV****ITEM 15 - EXHIBITS, FINANCIAL STATEMENT SCHEDULES:**

The following documents are filed as part of this Annual Report on Form 10-K:

**(1) Consolidated Financial Statements**

Our consolidated financial statements listed below are set forth in "Item 8 - Financial Statements and Supplementary Data" of this Annual Report on Form 10-K:

	<b>Page Number</b>
Reports of Independent Registered Public Accounting Firm	<a href="#">51</a>
Consolidated Statements of Income for the years ended December 31, 2018 and 2017, the seven months ended December 31, 2016 and the year ended May 31, 2016	<a href="#">54</a>
Consolidated Statements of Comprehensive Income for the years ended December 31, 2018 and 2017, the seven months ended December 31, 2016 and the year ended May 31, 2016	<a href="#">55</a>
Consolidated Balance Sheets as of December 31, 2018 and 2017	<a href="#">56</a>
Consolidated Statements of Cash Flows for the years ended December 31, 2018 and 2017, the seven months ended December 31, 2016 and the year ended May 31, 2016	<a href="#">57</a>
Consolidated Statements of Changes in Equity for the years ended December 31, 2018 and 2017, the seven months ended December 31, 2016 and the year ended May 31, 2016	<a href="#">58</a>
Notes to Consolidated Financial Statements	<a href="#">60</a>

**(2) Financial Statement Schedules**

	<b>Page Number</b>
Schedule II, Valuation and Qualifying Accounts	<a href="#">98</a>

All other schedules to our consolidated financial statements have been omitted because they are not required under the related instruction or are inapplicable, or because we have included the required information in our consolidated financial statements or related notes.

**(3) Exhibits**

The following exhibits either (i) are filed with this Annual Report on Form 10-K or (ii) have previously been filed with the SEC and are incorporated in this Item 15 by reference to those prior filings.

<b>Exhibit No.</b>	<b>Description</b>
2.1++	<a href="#">Agreement and Plan of Merger, dated as of December 15, 2015, by and among Global Payments Inc., Data Merger Sub One, Inc., Data Merger Sub Two, LLC and Heartland Payment Systems, Inc., incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed December 17, 2015.</a>
2.2++	<a href="#">Agreement and Plan of Merger, dated as of January 23, 2014, by and among the Company, Payment Processing, Inc. and, solely for the limited purposes set forth therein, certain additional parties thereto, incorporated by reference to Exhibit 2.1 to the Company's Quarterly Report on Form 10-Q filed April 3, 2014.</a>
2.3++	<a href="#">Stock Purchase and Merger Agreement, dated as of August 2, 2017, by and among Athlaction Topco, LLC, the Vista Blocker Sellers (as defined therein), Vista Equity Partners Management, LLC, as Sellers' Representative, Global Payments Inc., Athens Merger Sub, LLC and the Vista AIVs and Vista GPs (as defined therein and solely for the limited purposes set forth therein), incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed on August 8, 2017.</a>
2.4++	<a href="#">Amendment No. 1 to the Stock Purchase and Merger Agreement, dated as of August 31, 2017, by and among Global Payments Inc., Athlaction Topco, LLC, Vista Equity Partners Management, LLC, as Sellers' Representative, and VEP Global Aggregator, LLC, incorporated by reference to Exhibit 2.2, to the Company's Current Report on Form 8-K filed on September 6, 2017.</a>
3.1	<a href="#">Second Amended and Restated Articles of Incorporation of the Company, incorporated by reference to Exhibit 3.1 to the Company's Annual Report on Form 10-K filed July 25, 2013.</a>
3.2	<a href="#">Eighth Amended and Restated Bylaws of the Company, incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed May 4, 2017.</a>

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4.1	<a href="#">Stockholders Agreement, dated August 31, 2017, by and among the Company and the stockholders party thereto, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed on September 6, 2017.</a>
10.1	<a href="#">First Amendment to the Second Amended and Restated Credit Agreement, First Amendment to the Second Amended and Restated Term Loan Agreement, First Amendment to the Company Guaranties and First Amendment to the Subsidiary Guaranties, dated as of February 26, 2016, by and among the Company and Global Payments Direct, Inc., as borrowers, Bank of America, N.A., as Administrative Agent, and certain other lenders party thereto, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 1, 2016.</a>
10.2	<a href="#">Second Amendment to Second Amended and Restated Credit Agreement, dated as of October 31, 2016, by and among the Company, the other borrowers party thereto, the guarantors party thereto, the lenders party thereto and Bank of America, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on January 9, 2017.</a>
10.3	<a href="#">Third Amendment dated March 30, 2017, to Second Amended and Restated Credit Agreement, dated as of July 31, 2015 among the Company, the other borrowers party thereto, the Guarantors party thereto, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on May 4, 2017.</a>
10.4	<a href="#">Fourth Amendment, dated May 2, 2017, to Second Amended and Restated Credit Agreement, dated as of July 31, 2015 among the Company, the other borrowers party thereto, the Guarantors party thereto, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, incorporated by referenced to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 3, 2017.</a>
10.5	<a href="#">First Refinancing Facility Amendment to Second Amended and Restated Credit Agreement, dated March 20, 2018, by and among the Company, the other borrowers party thereto, the guarantors party thereto, the lenders party thereto and Bank of America, N.A. as administrative agent, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on May 3, 2018.</a>
10.6	<a href="#">Fifth Amendment to Second Amended and Restated Credit Agreement and First Amendment to Security Agreement, dated June 19, 2018, by and among the Company, the other borrowers party thereto, the guarantors party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on August 2, 2018.</a>
10.7*	<a href="#">Sixth Amendment to Second Amended and Restated Credit Agreement, dated October 18, 2018, by and among the Company, the other borrowers party thereto, the guarantors party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent</a>
10.8	<a href="#">First Amended and Restated Marketing Alliance Agreement with HSBC Bank plc, dated June 12, 2009, incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K filed July 28, 2009, File No. 001-16111.</a>
10.9+	<a href="#">Amended and Restated 2000 Employee Stock Purchase Plan, incorporated by reference to Exhibit 10.39 to the Company's Annual Report on Form 10-K filed July 28, 2010.</a>
10.10+	<a href="#">Third Amended and Restated 2000 Non-Employee Director Stock Option Plan, dated June 1, 2004, incorporated by reference to Exhibit 10.20 to the Company's Annual Report on Form 10-K filed July 30, 2007, File No. 001-16111.</a>
10.11+	<a href="#">Amendment to the Third Amended and Restated 2000 Non-Employee Director Stock Option Plan, dated March 28, 2007, incorporated by reference to Exhibit 10.21 to the Company's Annual Report on Form 10-K filed July 30, 2007, File No. 001-16111.</a>
10.12+	<a href="#">Third Amended and Restated 2005 Incentive Plan, dated December 31, 2008, incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed April 6, 2009, File No. 001-16111.</a>
10.13+	<a href="#">Form of Non-Statutory Stock Option Award pursuant to the Amended and Restated 2005 Incentive Plan, incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed January 8, 2007, File No. 001-16111.</a>
10.14+	<a href="#">Non-Qualified Deferred Compensation Plan, incorporated by reference to Exhibit 99.1 to the Company's Registration Statement on Form S-8 filed September 16, 2010.</a>
10.15+	<a href="#">Amended and Restated 2011 Incentive Plan, incorporated by reference to Exhibit 10.11 to the Company's Annual Report on Form 10-KT filed on February 28, 2017.</a>
10.16+	<a href="#">Form of Restricted Stock Award pursuant to the 2011 Amended and Restated Incentive Plan for Executive Officers (calendar 2018), incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on May 3, 2018.</a>
10.17+	<a href="#">Form of Performance Unit Award Agreement pursuant to the 2011 Amended and Restated Incentive Plan for Executive Officers (calendar 2018), incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on August 2, 2018.</a>
10.18+	<a href="#">Form of Stock Option Award pursuant to the 2011 Amended and Restated Incentive Plan for Executive Officers (calendar 2018), incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q filed on May 3, 2018.</a>
10.19+	<a href="#">Form of Restricted Stock Award pursuant to the 2011 Amended and Restated Incentive Plan for Executive Officers (calendar 2017), incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q filed on May 4, 2017.</a>

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10.20+	<a href="#"><u>Form of Performance Unit Award Agreement pursuant to the 2011 Amended and Restated Incentive Plan for Executive Officers (calendar 2017) incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed on May 4, 2017.</u></a>
10.21+	<a href="#"><u>Form of Stock Option Award pursuant to the 2011 Amended and Restated Incentive Plan for Executive Officers (calendar 2017) incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed on May 4, 2017.</u></a>
10.22+	<a href="#"><u>Form of Restricted Stock Award pursuant to the 2011 Incentive Plan (2016 fiscal year), incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed April 8, 2015.</u></a>
10.23+	<a href="#"><u>Form of Restricted Stock Award pursuant to the 2011 Incentive Plan (2015 fiscal year), incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed April 8, 2015.</u></a>
10.24+	<a href="#"><u>Form of Stock Option Award pursuant to the 2011 Incentive Plan (2015 fiscal year), incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed April 8, 2015.</u></a>
10.25+	<a href="#"><u>Form of Performance Unit Award Certificate pursuant to the 2011 Incentive Plan (2015 fiscal year), incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed April 8, 2015.</u></a>
10.26+	<a href="#"><u>Form of Performance Unit Award Certificate (Leveraged Performance Units) pursuant to the 2011 Incentive Plan (2015 fiscal year), incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed April 8, 2015.</u></a>
10.27+	<a href="#"><u>Fourth Amended and Restated Non-Employee Director Compensation Plan, dated September 28, 2016 (sub-plan to the Global Payments Inc. 2011 Incentive Plan, dated September 27, 2011), incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed January 9, 2017.</u></a>
10.28+	<a href="#"><u>Annual Performance Plan, adopted August 29, 2012 (sub-plan to the Global Payments Inc. 2011 Incentive Plan, dated September 27, 2011), incorporated by reference to Exhibit 10.52 to the Company's Annual Report on Form 10-K filed July 25, 2013.</u></a>
10.29+	<a href="#"><u>Employment Agreement by and between the Company and Jeffrey S. Sloan, dated as of March 30, 2010, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed April 1, 2010.</u></a>
10.30+	<a href="#"><u>Amendment to Employment Agreement by and between the Company and Jeffrey S. Sloan, dated as of October 1, 2013, incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed October 7, 2013.</u></a>
10.31+	<a href="#"><u>Second Amendment to Employment Agreement by and between the Company and Jeffrey S. Sloan, dated as of August 29, 2014, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed October 2, 2014.</u></a>
10.32+	<a href="#"><u>Third Amendment to Employment Agreement between Jeffrey S. Sloan and the Company, dated August 27, 2018, incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-Q filed on October 30, 2018.</u></a>
10.33+	<a href="#"><u>Employment Agreement by and between the Company and David E. Mangum, dated as of March 1, 2010, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed March 3, 2010.</u></a>
10.34+	<a href="#"><u>Amendment to Employment Agreement by and between the Company and David E. Mangum, dated as of August 29, 2014, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed October 2, 2014.</u></a>
10.35+	<a href="#"><u>Employment Agreement by and between the Company and Cameron M. Bready, dated as of May 21, 2014, incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed May 23, 2014.</u></a>
10.36+	<a href="#"><u>Amendment to Employment Agreement between Cameron M. Bready and the Company, dated August 27, 2018, incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report On Form 10-Q filed on October 30, 2018.</u></a>
10.37+	<a href="#"><u>Employment Agreement by and between the Company and Guido F. Sacchi, dated as of December 1, 2013, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed January 8, 2014.</u></a>
10.38+	<a href="#"><u>Amendment to Employment Agreement between Guido F. Sacchi and the Company, dated August 27, 2018, incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed on October 30, 2018.</u></a>
10.39+	<a href="#"><u>Employment Agreement by and between the Company and David L. Green, dated as of December 1, 2013, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed January 8, 2014.</u></a>
10.40+	<a href="#"><u>Amendment to Employment Agreement between David L. Green and the Company, dated August 27, 2018, incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed on October 30, 2018.</u></a>
21.1*	<a href="#"><u>List of Subsidiaries.</u></a>
23.1*	<a href="#"><u>Consent of Independent Registered Public Accounting Firm.</u></a>
24.1*	<a href="#"><u>Power of Attorney.</u></a>
31.1*	<a href="#"><u>Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer.</u></a>

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31.2*	<a href="#">Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer.</a>
32.1*	<a href="#">Certification pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002.</a>
101.1*	The following financial information from the Annual Report on Form 10-K for the year ended December 31, 2018, formatted in XBRL (eXtensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Statements of Income; (ii) the Consolidated Statements of Comprehensive Income; (iii) the Consolidated Balance Sheets; (iv) the Consolidated Statements of Cash Flows; (v) the Consolidated Statements of Changes in Equity; and (vi) the Notes to Consolidated Financial Statements.

\* Filed herewith.

+ Management contract or compensatory plan or arrangement.

++ Certain schedules and exhibits to this agreement have been omitted pursuant to Item 601(b)(2) of Regulation S-K and Global Payments Inc. agrees to furnish supplementally to the SEC a copy of any omitted schedule and/or exhibit upon request.

**(b) Exhibits**

	<b><u>Page Number</u></b>
Index to Exhibits	<a href="#">103</a>

**(c) Financial Statement Schedules**

See Item 15(2) above.

**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Global Payments Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on February 21, 2019.

GLOBAL PAYMENTS INC.

By: /s/ Jeffrey S. Sloan  
**Jeffrey S. Sloan**  
*Chief Executive Officer*  
*(Principal Executive Officer)*

By: /s/ Cameron M. Bready  
**Cameron M. Bready**  
*Senior Executive Vice President and Chief Financial Officer*  
*(Principal Financial Officer)*

By: /s/ David M. Sheffield  
**David M. Sheffield**  
*Senior Vice President and Chief Accounting Officer*  
*(Principal Accounting Officer)*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Global Payments Inc. and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ William I Jacobs *</u> <b>William I Jacobs</b>	Chairman of the Board	February 21, 2019
<u>/s/ Robert H.B. Baldwin, Jr.*</u> <b>Robert H.B. Baldwin, Jr.</b>	Director	February 21, 2019
<u>/s/ John G. Bruno*</u> <b>John G. Bruno</b>	Director	February 21, 2019
<u>/s/ Mitchell L. Hollin*</u> <b>Mitchell L. Hollin</b>	Director	February 21, 2019
<u>/s/ Ruth Ann Marshall *</u> <b>Ruth Ann Marshall</b>	Director	February 21, 2019
<u>/s/ John M. Partridge *</u> <b>John M. Partridge</b>	Director	February 21, 2019
<u>/s/ William B. Plummer *</u> <b>William B. Plummer</b>	Director	February 21, 2019
<u>/s/ Alan M. Silberstein *</u> <b>Alan M. Silberstein</b>	Director	February 21, 2019
<u>/s/ Jeffrey S. Sloan</u> <b>Jeffrey S. Sloan</b>	Director	February 21, 2019
*By: <u>/s/ Jeffrey S. Sloan</u> <b>Jeffrey S. Sloan</b>	Attorney-in-fact	February 21, 2019

SIXTH AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Dated as of October 18, 2018

among

GLOBAL PAYMENTS INC.,

The Other Borrowers Party Hereto,

THE GUARANTORS PARTY HERETO,

BANK OF AMERICA, N.A.,

as Administrative Agent, Swing Line Lender and L/C Issuer,

CAPITAL ONE, N.A.,

CITIBANK, N.A.,

FIFTH THIRD BANK,

JPMORGAN CHASE BANK, N.A.,

PNC BANK, NATIONAL ASSOCIATION,

SUNTRUST BANK,

TD BANK, N.A.,

and

MUFG BANK, LTD.,

as Co-Syndication Agents,

and

THE LENDERS PARTY HERETO

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,

CAPITAL ONE, N.A.,

CITIBANK, N.A.,

FIFTH THIRD BANK,

JPMORGAN CHASE BANK, N.A.,

PNC CAPITAL MARKETS LLC,

SUNTRUST ROBINSON HUMPHREY, INC.,

TD SECURITIES (USA) LLC,

and

MUFG BANK, LTD.,

as Joint Lead Arrangers

MERRILL LYNCH, PIERCE, FENNER & SMITH INCORPORATED,

as Sole Bookrunner

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## SIXTH AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS SIXTH AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT dated as of October 18, 2018 (this "Amendment") is entered into among Global Payments Inc., a Georgia corporation (the "Company"), the other borrowers party hereto (together with the Company, the "Borrowers"), the Guarantors party hereto, the Lenders party hereto (including each New Lender (as defined below)), and Bank of America, N.A., as Administrative Agent. All capitalized terms used herein and not otherwise defined herein shall have the meanings given to such terms in the Existing Credit Agreement (as defined below) or the Amended Credit Agreement (as defined below), as applicable.

### RECITALS

WHEREAS, the Company, the other Borrowers, the Lenders and the Administrative Agent entered into that certain Second Amended and Restated Credit Agreement dated as of July 31, 2015 (as amended or modified from time to time prior to the date hereof, the "Existing Credit Agreement"); and

WHEREAS, the parties hereto agree to amend the Existing Credit Agreement as set forth below (the Existing Credit Agreement, as amended by this Amendment, the "Amended Credit Agreement").

NOW, THEREFORE, in consideration of the premises and the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

#### 1. Amendments to Existing Credit Agreement.

(a) The first parenthetical in the definition of "All-In-Yield" in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

(including the Existing Term Loan, any Incremental Term Loan, the Term A-2 Loan, the Term B-2 Loan and the Term B-4 Loan),

(b) The definition of "Applicable Percentage" in Section 1.01 of the Existing Credit Agreement is amended by (i) replacing "Section 2.15 and" at the end of clause (d) thereof with "Section 2.15," and (ii) adding a new clause (f) immediately following clause (e) thereof to read as follows:

and (f) with respect to such Lender's portion of the outstanding Term B-4 Loan at any time, the percentage (carried out to the ninth decimal place) of the outstanding principal amount of the Term B-4 Loan held by such Lender at such time, subject to adjustment as provided in Section 2.15.

(c) The definition of "Applicable Rate" in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

"Applicable Rate" means with respect to:

(a) any Incremental Term Loan made pursuant to any Incremental Term Loan Lender Joinder Agreement, the percentage(s) per annum set forth in such Incremental Term Loan Lender Joinder Agreement;

(b) the Term B-2 Loan, a percentage per annum equal to: (i) 1.75% with respect to Eurocurrency Rate Loans and (ii) 0.75% with respect to Base Rate Loans;

(c) the Term B-4 Loan, a percentage per annum equal to: (i) 1.75% with respect to Eurocurrency Rate Loans and (ii) 0.75% with respect to Base Rate Loans;

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(d) Revolving Loans, Swing Line Loans, the Existing Term Loan, the Term A-2 Loan, the Commitment Fee and Letter of Credit Fees, the following percentages per annum, based upon the Net Leverage Ratio as set forth in the most recent Compliance Certificate received by the Administrative Agent pursuant to Section 6.01(c):

Pricing Level	Net Leverage Ratio	Eurocurrency Rate Loans and Letter of Credit Fees	Base Rate Loans	Commitment Fee
1	< 2.50 to 1.0	1.25%	0.25%	0.20%
2	≥ 2.50 to 1.0 or < 4.25 to 1.0	1.50%	0.50%	0.20%
3	≥ 4.25 to 1.0 or < 5.00 to 1.0	1.75%	0.75%	0.25%
4	≥ 5.00 to 1.0	2.00%	1.00%	0.30%

Any increase or decrease in the Applicable Rate resulting from a change in the Net Leverage Ratio shall become effective as of the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.01(c); provided that if a Compliance Certificate is not delivered when due in accordance with such Section, then, upon the request of the Required Lenders, Pricing Level 4 shall apply as of the first Business Day after the date on which such Compliance Certificate was required to have been delivered and shall remain in effect until the date on which such Compliance Certificate is delivered. Subject to the proviso in the immediately preceding sentence, the Applicable Rate in effect from the Fifth Amendment Effective Date through the first Business Day immediately following the date a Compliance Certificate is delivered pursuant to Section 6.01(c) for the Fiscal Quarter of the Company ending September 30, 2018 shall be determined based upon Pricing Level 2.

Notwithstanding anything to the contrary contained in this definition, the determination of the Applicable Rate for any period shall be subject to the provisions of Section 2.10(b).

(d) The second parenthetical in the definition of “Asset Sale” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

(by way of merger or otherwise, including sales (x) in connection with a sale and leaseback transaction, (y) as a result of any condemnation or casualty in respect of property, or (z) to a Delaware Divided LLC pursuant to a Delaware LLC Division)

(e) The definition of “Dutch Auction” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Dutch Auction” means an auction (an “Auction”) conducted by the Company or one of its Subsidiaries in order to purchase any portion of any Term B Loan (any such purchase, a “Purchase”) in accordance with the following procedures or such other procedures as may be agreed to between the Administrative Agent and the Company:

(a) Notice Procedures. In connection with any Auction, the Company shall provide notification to the Administrative Agent (for distribution to the applicable Term B Lenders) of the portion of the applicable Term B Loan that will be the subject of such Auction (each, an “Auction Notice”). Each Auction Notice for an Auction shall be in a form reasonably acceptable to the Administrative Agent and shall specify (i) the total cash value of the bid, in a minimum amount of \$10,000,000 with minimum increments of \$1,000,000 in excess thereof (for such Auction, the “Auction Amount”), and (ii) the discounts to par, which shall be expressed as a range of percentages of the par principal amount of the portion of the Term B

Loan at issue (for such Auction, the “Discount Range”), representing the range of purchase prices that could be paid in such Auction.

(b) Reply Procedures. In connection with any Auction, each applicable Term B Lender may, in its sole discretion, participate in such Auction by providing the Administrative Agent with a notice of participation (each, a “Return Bid”) which shall be in a form reasonably acceptable to the Administrative Agent and shall specify (i) a discount to par that must be expressed as a price (for any Auction, the “Reply Discount”), which must be within the Discount Range for such Auction, and (ii) a principal amount of the portion of the applicable Term B Loan such Term B Lender is willing to sell, which must be in increments of \$1,000,000 or in an amount equal to such Term B Lender’s entire remaining amount of its portion of the applicable Term B Loan (for such Auction, the “Reply Amount”). The applicable Term B Lenders may only submit one Return Bid per Auction. In addition to the Return Bid for such Auction, each applicable Term B Lender wishing to participate in such Auction must execute and deliver, to be held in escrow by the Administrative Agent, an assignment and acceptance agreement in a form reasonably acceptable to the Administrative Agent.

(c) Acceptance Procedures. Based on the Reply Discounts for such Auction and Reply Amounts for such Auction received by the Administrative Agent, the Administrative Agent, in consultation with the Company, will reasonably determine the applicable discount (the “Applicable Discount”) for an Auction, which shall be the lowest Reply Discount for which the Company or a Subsidiary of the Company, as applicable, can complete such Auction at the Auction Amount; provided that, in the event that the Reply Amounts for such Auction are insufficient to allow the Company or such Subsidiary, as applicable, to complete a purchase of the entire Auction Amount for such Auction, the Company or such Subsidiary shall either, at its election, (i) withdraw such Auction or (ii) complete such Auction at an Applicable Discount equal to the highest Reply Discount for such Auction. The Company or such Subsidiary, as applicable, shall purchase the applicable portion of the applicable Term B Loan from each applicable Term B Lender with a Reply Discount for such Auction that is equal to or greater than the Applicable Discount for such Auction (for such Auction, the “Qualifying Bids”) at the Applicable Discount for such Auction; provided that if the aggregate proceeds required to purchase the entire portion of the applicable Term B Loan subject to Qualifying Bids for such Auction would exceed the Auction Amount for such Auction, the Company or such Subsidiary, as applicable, shall purchase such portion of the applicable Term B Loan at the Applicable Discount for such Auction, ratably based on the principal amounts of such Qualifying Bids for such Auction (subject to adjustment for rounding as specified by the Administrative Agent). Each participating Term B Lender will receive notice of a Qualifying Bid for such Auction as soon as reasonably practicable.

(d) Additional Procedures. Each Purchase shall be consummated pursuant to and in accordance with Section 10.06 and, to the extent not otherwise provided herein, shall otherwise be consummated pursuant to procedures (including as to timing, rounding and minimum amounts, Interest Periods, and other notices by the Company or such Subsidiary, as applicable) reasonably acceptable to the Administrative Agent (provided that such Purchase shall be required to be consummated as soon as reasonably practicable but in no case later than five (5) Business Days (or such longer period as the Administrative Agent shall otherwise agree) after the time that the participating Lenders receive notice of a Qualifying Bid for an Auction pursuant to the last sentence in clause (c) above). Notwithstanding anything to the contrary contained herein, if the Company or a Subsidiary, as applicable, withdraws an Auction, the Company and its Subsidiaries may not conduct a new Auction for at least 30 days after such withdrawal.

(f) The reference to “the Term B-2 Loan” in the definition of “Eurocurrency Base Rate” in Section 1.01 of the Existing Credit Agreement is amended to read “each Term B Loan”.

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(g) The definition of “Incremental Amount” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Incremental Amount” means, as of any date of determination, the sum of (a) the total of (i) \$850,000,000, minus (ii) the aggregate amount of increases in the Aggregate Revolving Commitments pursuant to Section 2.02(f)(i) implemented on or after the Fifth Amendment Effective Date and prior to such date in reliance on clause (a)(i) above, minus (iii) the aggregate amount of increases in the Existing Term Loan pursuant to Section 2.02(f)(ii) implemented on or after the Fifth Amendment Effective Date and prior to such date in reliance on clause (a)(i) above, minus (iv) the aggregate principal amount of all Incremental Term Loans incurred pursuant to Section 2.02(f)(iii) on or after the Fifth Amendment Effective Date and prior to such date in reliance on clause (a)(i) above, minus (v) the aggregate amount of increases in the Term A-2 Loan pursuant to Section 2.02(f)(iv) implemented on or after the Fifth Amendment Effective Date and prior to such date in reliance on clause (a)(i) above, minus (vi) the aggregate amount of increases in the Term B-2 Loan pursuant to Section 2.02(f)(v) implemented on or after the Fifth Amendment Effective Date and prior to such date in reliance on clause (a)(i) above, minus (vii) the aggregate amount of any Permitted Incremental Equivalent Debt incurred on or after the Fifth Amendment Effective Date and prior to such date in reliance on clause (a)(i) above, minus (viii) the aggregate amount of increases in the Term B-4 Loan pursuant to Section 2.02(f)(vi) implemented on or after the Sixth Amendment Effective Date and prior to such date in reliance on clause (a)(i) above plus (b) an unlimited amount so long as the Maximum Leverage Ratio Requirement at such time is satisfied at the time of the increase in the Aggregate Revolving Commitments, the increase in the Existing Term Loan, the increase in the Term A-2 Loan, the increase in the Term B-2 Loan, the increase in the Term B-4 Loan, the institution of an Incremental Term Loan, and/or the incurrence of the Permitted Incremental Equivalent Debt.

(h) Each reference to “the Term B-2 Loan” in the definition of “Interest Period” in Section 1.01 of the Existing Credit Agreement is amended to read “any Term B Loan”. The reference to “no Term B-2 Lender” in the definition of “Interest Period” in Section 1.01 of the Existing Credit Agreement is amended to read “no Term B Lender”.

(i) The definition of “Latest Maturity Date” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Latest Maturity Date” means the latest of (i) the Maturity Date for the Revolving Loans, (ii) the Maturity Date for the Existing Term Loan, (iii) the Maturity Date for the Term A-2 Loan, (iv) the Maturity Date for the Term B-2 Loan, (v) the Maturity Date for the Term B-4 Loan, and (vi) any Incremental Term Loan Maturity Date, as of any date of determination.

(j) The definition of “Loan” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Loan” means an extension of credit by a Lender to a Borrower under Article II in the form of a Revolving Loan, the Existing Term Loan, any Incremental Term Loan, the Term A-2 Loan, the Term B-2 Loan, the Term B-4 Loan or a Swing Line Loan.

(k) The definition of “Maturity Date” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Maturity Date” means (a) with respect to the Revolving Loans, January 20, 2023, (b) with respect to the Existing Term Loan, January 20, 2023, (c) with respect to the Term A-2 Loan, January 20, 2023, (d) with respect to an Incremental Term Loan, the Incremental Term Loan Maturity Date relating to such Incremental Term Loan, (e) with respect to the Term B-2 Loan, April 22, 2023 and (f) with respect to the Term B-4 Loan, October 18, 2025; provided, however, that, in each case, if such date is not a Business Day, the Maturity Date shall be the next preceding Business Day.

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(l) The definition of “Maximum Leverage Ratio Requirement” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Maximum Leverage Ratio Requirement” means, for purposes of the Incremental Amount, the requirement that the Company shall have delivered to the Administrative Agent a Compliance Certificate demonstrating that immediately after giving pro forma effect to the applicable increase in the Aggregate Revolving Commitments, increase in the Existing Term Loan, increase in the Term A-2 Loan, increase in the Term B-2 Loan, increase in the Term B-4 Loan, institution of an Incremental Term Loan, and/or incurrence of Permitted Incremental Equivalent Debt and the use of proceeds therefrom (and any related Acquisitions, other Investments or other transactions in connection therewith), (a) the Credit Parties would be in compliance with the financial covenants set forth in Section 7.08 and 7.09 as of the most recent Fiscal Quarter end for which financial statements were required to be delivered pursuant to Section 6.01(a) or 6.01(b) and (b) the Secured Net Leverage Ratio does not exceed 3.75 to 1.00 (it being understood that any increase, institution and/or incurrence may be incurred prior to any increase, institution and/or incurrence in reliance on clause (a)(i) of the definition of “Incremental Amount”, and, in the case of a simultaneous incurrence and/or advance of the maximum amount permitted to be incurred under clause (a)(i) of the definition of “Incremental Amount”, the Company shall not be required to give pro forma effect to any such increase, institution and/or incurrence in reliance on clause (a)(i) of the definition of “Incremental Amount”); provided, that, for the purpose of calculating the Secured Net Leverage Ratio pursuant to this definition, (i) such increase of the Aggregate Revolving Commitments shall be deemed to be fully drawn, and (ii) in the case of any increase in the Aggregate Revolving Commitments, increase in the Existing Term Loan, increase in the Term A-2 Loan, increase in the Term B-2 Loan, increase in the Term B-4 Loan, institution of an Incremental Term Loan and/or incurrence of Permitted Incremental Equivalent Debt, the proceeds of which will finance a Limited Conditionality Acquisition, the applicable Maximum Leverage Ratio Requirement shall be determined at the time of signing of the applicable acquisition agreement.

(m) The definition of “Note” or “Notes” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Note” or “Notes” means the Revolving Notes, the Existing Term Notes, the Incremental Term Notes, the Term A-2 Notes, the Term B-2 Notes, the Term B-4 Notes and/or the Swing Line Loan Notes, individually or collectively, as appropriate.

(n) The definition of “Repricing Event” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Repricing Event” means (a) with respect to the Term B-2 Loan, (i) there shall occur any amendment, amendment and restatement or other modification of this Agreement which reduces the All-In-Yield then in effect for the Term B-2 Loan, (ii) all or any portion of the Term B-2 Loan is voluntarily prepaid or mandatorily prepaid with the net cash proceeds of issuances, offerings or placement of debt obligations, or refinanced substantially concurrently with the incurrence of, or conversion of the loans thereunder into, new Indebtedness that has an effective All-In-Yield lower than the All-In-Yield in effect for the portion of the Term B-2 Loan so prepaid and such issuance, offering or placement provides for such Indebtedness to have a reduced All-In-Yield or (iii) a Lender must assign its portion of the Term B-2 Loan as a result of its failure to consent to an amendment, amendment and restatement or other modification of this Agreement which reduces the All-In-Yield then in effect for the Term B-2 Loan; provided, that in each case of clauses (a)(i), (a)(ii) and (a)(iii), a Repricing Event shall have occurred only to the extent the primary purpose of such amendment, amendment and restatement, modification, issuance, offering, placement, prepayment or assignment, as determined in good faith by the Administrative Agent, is to reduce the All-In-Yield then in effect for the Term B-2 Loan, and (b) with respect to the Term B-4 Loan, (i) there shall occur any amendment, amendment and restatement or other modification of this Agreement which reduces the All-In-Yield then in effect for the Term B-4 Loan, (ii) all or any portion of the Term B-4 Loan is voluntarily prepaid

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or mandatorily prepaid with the net cash proceeds of issuances, offerings or placement of debt obligations, or refinanced substantially concurrently with the incurrence of, or conversion of the loans thereunder into, new Indebtedness that has an effective All-In-Yield lower than the All-In-Yield in effect for the portion of the Term B-4 Loan so prepaid and such issuance, offering or placement provides for such Indebtedness to have a reduced All-In-Yield or (iii) a Lender must assign its portion of the Term B-4 Loan as a result of its failure to consent to an amendment, amendment and restatement or other modification of this Agreement which reduces the All-In-Yield then in effect for the Term B-4 Loan; provided, that in each case of clauses (b)(i), (b)(ii) and (b)(iii), a Repricing Event shall have occurred only to the extent the primary purpose of such amendment, amendment and restatement, modification, issuance, offering, placement, prepayment or assignment, as determined in good faith by the Administrative Agent, is to reduce the All-In-Yield then in effect for the Term B-4 Loan.

(o) Each reference to “the Term B-2 Loan” in the definition of “Required Financial Covenant Lenders” in Section 1.01 of the Existing Credit Agreement is amended to read “the Term B Loans”.

(p) The definition of “Term B Loan” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Term B Loan” means the Term B-2 Loan or the Term B-4 Loan, as applicable, and “Term B Loans” means the Term B-2 Loan and the Term B-4 Loan.

(q) The definition of “Term Lender” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Term Lender” means any Lender that holds a portion of the Existing Term Loan, a portion of the Term A-2 Loan, a portion of the Term B-2 Loan, a portion of the Term B-4 Loan or a portion of any Incremental Term Loans at such time.

(r) The definition of “Term Loan” in Section 1.01 of the Existing Credit Agreement is amended to read as follows:

“Term Loan” means the Existing Term Loan, the Term A-2 Loan, the Term B-2 Loan, the Term B-4 Loan or an Incremental Term Loan.

(s) The following definitions are added to Section 1.01 of the Existing Credit Agreement in the appropriate alphabetical order:

“Delaware Divided LLC” means any Delaware LLC which has been formed upon the consummation of a Delaware LLC Division.

“Delaware LLC” means any limited liability company organized or formed under the laws of the State of Delaware.

“Delaware LLC Division” means the statutory division of any Delaware LLC into two or more Delaware LLCs pursuant to Section 18-217 of the Delaware Limited Liability Company Act.

“Sixth Amendment Effective Date” means October 18, 2018.

“Term B Lender” means, at any time, any Lender that holds a portion of the Term B-2 Loan at such time or any Lender that holds a portion of the Term B-4 Loan at such time.

“Term B-4 Lender” means any Lender that holds a portion of the Term B-4 Loan at such time.

“Term B-4 Loan” has the meaning specified in Section 2.01(f).

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“Term B-4 Loan Commitment” means, as to each Term B-4 Lender, its obligation to make its portion of the Term B-4 Loan to the Company pursuant to Section 2.01(f), in the principal amount set forth opposite such Term B-4 Lender’s name on Schedule 2.01. The aggregate principal amount of the Term B-4 Loan Commitments of all of the Term B-4 Lenders as in effect on the Sixth Amendment Effective Date is FIVE HUNDRED MILLION DOLLARS (\$500,000,000).

“Term B-4 Note” has the meaning specified in Section 2.11(a).

(t) Section 2.01 of the Existing Credit Agreement is amended by adding a new subsection (f) immediately following Section 2.01(e) of the Existing Credit Agreement to read as follows:

(f) Subject to the terms and conditions set forth herein, each Term B-4 Lender severally agrees to make its portion of a term loan (the “Term B-4 Loan”) in a single advance to the Company in Dollars on the Sixth Amendment Effective Date in an amount not to exceed such Term B-4 Lender’s Term B-4 Loan Commitment. Subject to Section 2.02(f), the Company may elect to increase the aggregate Term B-4 Loan Commitments, and such increase in the aggregate Term B-4 Loan Commitments shall be available to the Company on the effective date of any such increase pursuant to Section 2.02(f). Amounts repaid on the Term B-4 Loan may not be reborrowed. The Term B-4 Loan may consist of Base Rate Loans or Eurocurrency Rate Loans, or a combination thereof, as further provided herein.

(u) The provisions of Section 2.02(f) of the Existing Credit Agreement immediately preceding Section 2.02(f)(i) of the Existing Credit Agreement are amended to read as follows:

(f) The Company may at any time and from time to time, upon prior written notice by the Company to the Administrative Agent, increase the Aggregate Revolving Commitments (but not the Letter of Credit Sublimit or the Swing Line Sublimit), increase the Existing Term Loan, increase the Term A-2 Loan, increase the Term B-2 Loan, increase the Term B-4 Loan and/or establish one or more Incremental Term Loans, by a maximum aggregate amount not to exceed the Incremental Amount, as follows:

(v) The first reference to “the Term B-2 Loan” in Section 2.02(f)(iii)(E) of the Existing Credit Agreement is amended to read “any Term B Loan”. Each other reference to “the Term B-2 Loan” in Section 2.02(f)(iii)(E) of the Existing Credit Agreement is amended to read “such Term B Loan”.

(w) The reference to “the Term B-2 Loan” in Section 2.02(f)(iii)(F) of the Existing Credit Agreement is amended to read “any then-existing Term B Loan”.

(x) The reference to “the Term B-2 Loan” in Section 2.02(f)(iii)(G) of the Existing Credit Agreement is amended to read “any then-existing Term B Loan”.

(y) Each reference to “the Term B-2 Loan” in Section 2.02(f)(iii)(I) of the Existing Credit Agreement is amended to read “any then-existing Term B Loan”.

(z) Section 2.02(f) of the Existing Credit Agreement is amended by adding a new subsection (vi) immediately following Section 2.02(f)(v) of the Existing Credit Agreement to read as follows:

(vi) The Company may at any time and from time to time, upon prior written notice by the Company to the Administrative Agent, increase the Term B-4 Loan with additional Term B-4 Loan Commitments from any Existing Term B-4 Lender or new Term B-4 Loan Commitments from any other Person selected by the Company and acceptable to the Administrative Agent; provided that:

(A) any such increase shall be in a minimum principal amount of \$10,000,000 and in integral multiples of \$1,000,000 in excess thereof;

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(B) no Default or Event of Default shall exist and be continuing at the time of any such increase; provided, that in the case of any such increase used to finance a Limited Conditionality Acquisition, such requirement shall be limited to no Specified Event of Default;

(C) no Term B-4 Lender shall be under any obligation to increase its Term B-4 Loan Commitment and any such decision whether to increase its Term B-4 Loan Commitment shall be in such Lender's sole and absolute discretion;

(D) (1) any new Lender shall join this Agreement by executing such joinder documents required by the Administrative Agent and/or (2) any existing Term B-4 Lender electing to increase its Term B-4 Loan Commitment shall have executed a commitment agreement reasonably satisfactory to the Administrative Agent; and

(E) as a condition precedent to such increase (to the extent requested by the Administrative Agent or, with respect to clause (E)(4) below, any Lender), (1) the Company shall deliver to the Administrative Agent a certificate of each Credit Party dated as of the date of such increase (in sufficient copies for each Lender) signed by a Financial Officer of such Credit Party (x) certifying and attaching the resolutions adopted by such Credit Party approving or consenting to such increase, and (y) in the case of the Company, certifying that, before and after giving effect to such increase, (I) the representations and warranties contained in Article V and the other Loan Documents are true and correct in all material respects (or in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) on and as of the date of such increase, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (or in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) as of such earlier date (provided, that in the case of any such increase used to finance a Limited Conditionality Acquisition, such requirement shall be limited to certain specified representations and acquisition agreement representations to be agreed by the Company and the Lenders providing such increase), and (II) no Default or Event of Default exists (provided, that in the case of any such increase used to finance a Limited Conditionality Acquisition, such requirement shall be limited to no Specified Event of Default); (2) the Company shall deliver to the Administrative Agent customary opinions of legal counsel to the Credit Parties, addressed to the Administrative Agent and each Lender, dated as of the effect date of such increase; (3) the Company shall deliver to the Administrative Agent such amendments to the Collateral Documents as the Administrative Agent may deem necessary in connection with such increase; and (4) the Administrative Agent and each Lender shall have received all flood hazard determination certifications, acknowledgements and evidence of flood insurance and other flood-related documentation with respect to all real property Collateral, as required by applicable Law and as reasonably required by the Administrative Agent or any such Lender (it being understood that the Lenders shall direct any requests for additional flood-related documentation through the Administrative Agent and any such request shall be made no later than twenty (20) Business Days prior to the effective date of such increase).

(aa) The reference to "the Term A-2 Loan or the Term B-2 Loan" in clause (z) of the proviso to Section 2.05(a)(i) of the Existing Credit Agreement is amended to read "the Term A-2 Loan, the Term B-2 Loan or the Term B-4 Loan".

(bb) A new sentence is added at the end of Section 2.05(a)(i) of the Existing Credit Agreement to read as follows:

Each prepayment of the Term B-4 Loan made in connection with a Repricing Event on or before the date that is six (6) months after the Sixth Amendment Effective Date shall be accompanied by a

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prepayment premium equal to 1.00% of the principal amount being repaid in connection with such Repricing Event.

(cc) The reference to “the Term B-2 Loan” in Section 2.05(b)(iv) of the Existing Credit Agreement is amended to read “the Term B Loans”.

(dd) The reference to “to the Term B-2 Loan” in Section 2.05(b)(v) of the Existing Credit Agreement is amended to read “ratably to the Term B Loans”.

(ee) The reference to “September 20, 2020” in Section 2.07(f) of the Existing Credit Agreement is amended to read “September 30, 2020”.

(ff) Section 2.07 of the Existing Credit Agreement is amended by adding a new subsection (g) immediately following Section 2.01(f) of the Existing Credit Agreement to read as follows:

(g) Term B-4 Loan. The Company shall repay the outstanding principal amount of the Term B-4 Loan in the installments, on the dates and in the amounts set forth in the table below (as such installments may hereafter be adjusted as a result of the application of prepayments of the Term B-4 Loan in accordance with the order of priority set forth in Section 2.05), unless accelerated sooner pursuant to Section 8.01:

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Payment Dates	Principal Amortization Payment (% of principal of the Term B-4 Loan)
March 31, 2019	0.25%
June 30, 2019	0.25%
September 30, 2019	0.25%
December 31, 2019	0.25%
March 31, 2020	0.25%
June 30, 2020	0.25%
September 30, 2020	0.25%
December 31, 2020	0.25%
March 31, 2021	0.25%
June 30, 2021	0.25%
September 30, 2021	0.25%
December 31, 2021	0.25%
March 31, 2022	0.25%
June 30, 2022	0.25%
September 30, 2022	0.25%
December 31, 2022	0.25%
March 31, 2023	0.25%
June 30, 2023	0.25%
September 30, 2023	0.25%
December 31, 2023	0.25%
March 31, 2024	0.25%
June 30, 2024	0.25%
September 30, 2024	0.25%
December 31, 2024	0.25%
March 31, 2025	0.25%
June 30, 2025	0.25%
September 30, 2025	0.25%
Maturity Date	Outstanding Principal Balance of the Term B-4 Loan

If any date set for payment is not a Business Day, the payment to be made on such payment date shall be made on the immediately prior Business Day.

(gg) The second-to-last sentence of Section 2.11(a) of the Existing Credit Agreement is amended to read as follows:

Each such promissory note shall (i) in the case of Revolving Loans, be in the form of (x) Exhibit B-1 with respect to the Company or any other Borrower that is a Domestic Subsidiary and (y) Exhibit B-2 with respect to any Borrower that is a Foreign Subsidiary Borrower (each a “Revolving Note”), (ii) in the case of the Existing Term Loan, be in the form of Exhibit B-3 (an “Existing Term Note”), (iii) in the case of any Incremental Term Loan, be in the form of Exhibit B-4 (an “Incremental Term Note”), (iv) in the case of the Term A-2 Loan, be in the form of Exhibit B-5 (a “Term A-2 Note”), (v) in the case of the Term B-2 Loan, be in the form of Exhibit B-6 (a “Term B-2 Note”), (vi) in the case of Swing Line Loans, be in the form of Exhibit B-7 (a “Swing Line Note”), and (vii) in the case of the Term B-4 Loan, be in the form of Exhibit B-8 (a “Term B-4 Note”).

(hh) The reference to “the Term B-2 Loan” in Section 6.01(c) of the Existing Credit Agreement is amended to read “any Term B Loan”.

(ii) The second parenthetical in Section 6.09 of the Existing Credit Agreement is amended to read as follows:

(including upon the formation of any Domestic Subsidiary that is a Delaware Divided LLC, but other than a Bank Subsidiary or an Excluded Domestic Subsidiary)

(jj) The reference to “the Term B-2 Loan” in Section 6.12 of the Existing Credit Agreement is amended to read “any Term B Loan”.

(kk) The first reference to “Person” in Section 7.03 of the Existing Credit Agreement is amended to read “Person (including, in each case, pursuant to a Delaware LLC Division)”.

(ll) Section 7.03(k) of the Existing Credit Agreement is amended to read as follows:

(k) the Company and its Subsidiaries may consummate (i) sales, transfers or other dispositions of assets (including Equity Interests of a Subsidiary) to the Company or any Subsidiary and (ii) Delaware LLC Divisions; provided, that (A) in the case of any sales, transfers or other disposition of assets, if the transferor of such assets is a Credit Party, (1) the transferee thereof must be a Credit Party (other than a Foreign Subsidiary Borrower) or (2) such transaction is permitted under Section 7.12, and (B) in the case of any Delaware LLC Division, if the Delaware LLC consummating such Delaware LLC Division is a Credit Party, (1) each Delaware Divided LLC formed in connection with such Delaware LLC Division must be a Credit Party (other than a Foreign Subsidiary Borrower) or (2) such Delaware LLC Division is permitted under Section 7.12.

(mm) The proviso to Section 8.01(d) of the Existing Credit Agreement is amended to read as follows:

; provided, that (x) the failure to observe or perform the covenants set forth in Sections 7.08 and 7.09 shall not in and of itself constitute an Event of Default with respect to the Term B-2 Loan unless the Required Financial Covenant Lenders have accelerated the Existing Term Loan, any Incremental Term Loan, the Term A-2 Loan and any Revolving Loans then outstanding as a result of such breach and such declaration has not been rescinded on or before the date on which the Term B-2 Lenders declare an Event of Default in connection therewith, and (y) the failure to observe or perform the covenants set forth in Sections 7.08 and 7.09 shall not in and of itself constitute an Event of Default with respect to the Term B-4 Loan unless the Required Financial Covenant Lenders have accelerated the Existing Term Loan, any Incremental Term Loan, the Term A-2 Loan and any Revolving Loans then outstanding as a result of such breach and such declaration has not been rescinded on or before the date on which the Term B-4 Lenders declare an Event of Default in connection therewith.

(nn) Section 9.12 of the Existing Credit Agreement is amended to read as follows:

**9.12 ERISA Matters.**

(a) Each Lender (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Company or any other Credit Party, that at least one of the following is and will be true: (i) such Lender is not using “plan assets” (within the meaning of Section 3(42) of ERISA or otherwise) of one or more Benefit Plans with respect to such Lender’s entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments or this Agreement; (ii) the transaction exemption set forth in one or more PTEs, such as PTE

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84-14 (a class exemption for certain transactions determined by independent qualified professional asset managers), PTE 95-60 (a class exemption for certain transactions involving insurance company general accounts), PTE 90-1 (a class exemption for certain transactions involving insurance company pooled separate accounts), PTE 91-38 (a class exemption for certain transactions involving bank collective investment funds) or PTE 96-23 (a class exemption for certain transactions determined by in-house asset managers), is applicable with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; (iii)(A) such Lender is an investment fund managed by a "Qualified Professional Asset Manager" (within the meaning of Part VI of PTE 84-14), (B) such Qualified Professional Asset Manager made the investment decision on behalf of such Lender to enter into, participate in, administer and perform the Loans, the Letters of Credit, the Commitments and this Agreement, (C) the entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement satisfies the requirements of sub-sections (b) through (g) of Part I of PTE 84-14 and (D) to the best knowledge of such Lender, the requirements of subsection (a) of Part I of PTE 84-14 are satisfied with respect to such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement; (iv) such other representation, warranty and covenant as may be agreed in writing between the Administrative Agent, in its sole discretion, and such Lender.

(b) In addition, unless either (1) sub-clause (i) in the immediately preceding clause (a) is true with respect to a Lender or (2) a Lender has provided another representation, warranty and covenant in accordance with sub-clause (iv) in the immediately preceding clause (a), such Lender further (x) represents and warrants, as of the date such Person became a Lender party hereto, to, and (y) covenants, from the date such Person became a Lender party hereto to the date such Person ceases being a Lender party hereto, for the benefit of, the Administrative Agent and not, for the avoidance of doubt, to or for the benefit of the Company or any other Credit Party, that the Administrative Agent is not a fiduciary with respect to the assets of such Lender involved in such Lender's entrance into, participation in, administration of and performance of the Loans, the Letters of Credit, the Commitments and this Agreement (including in connection with the reservation or exercise of any rights by the Administrative Agent under this Agreement, any Loan Document or any documents related hereto or thereto).

(oo) The third parenthetical in Section 10.04(c) of the Existing Credit Agreement is amended to read as follows:

(determined as of the time that the applicable unreimbursed expense or indemnity payment is sought based on each Lender's share of the unused Commitments, Revolving Exposure, Outstanding Amount of the Existing Term Loan, Outstanding Amount of all Incremental Term Loans, Outstanding Amount of the Term A-2 Loan, Outstanding Amount of the Term B-2 Loan and Outstanding Amount of the Term B-4 Loan of such Lender at such time)

(pp) The proviso to Section 10.06(b)(iv) of the Existing Credit Agreement is amended to read as follows:

provided, however, that notwithstanding the foregoing, any Term B Lender may assign all or any of its portion of its Term B Loans to the Company or any of its Subsidiaries, but only if:

(A) such assignment is made pursuant to a Dutch Auction open to all Term B-2 Lenders or all Term B-4 Lenders, as applicable, on a pro rata basis;

(B) no Event of Default has occurred and is continuing or would result therefrom;

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(C) any such portion of the applicable Term B Loan shall be automatically and permanently cancelled immediately upon acquisition thereof by the Company or any of its Subsidiaries;

(D) the Company or its Subsidiaries, as applicable, shall at the time of such assignment affirm the No Undisclosed Information Representation; and

(E) the Company and its Subsidiaries do not use the proceeds of the Revolving Commitments to acquire any such portion of any Term B Loan.

(qq) Schedule 2.01 to the Existing Credit Agreement is amended to include the information set forth on Schedule 2.01 attached hereto.

(rr) A new Exhibit B-8 is added to the Existing Credit Agreement in the form of Exhibit B-8 attached hereto.

2. Conditions Precedent. This Amendment shall be effective upon satisfaction of the following conditions precedent:

(a) Receipt by the Administrative Agent of counterparts of this Amendment duly executed by the Borrowers, the Guarantors, the Required Lenders, each Term B-4 Lender (including each New Lender), and the Administrative Agent.

(b) Receipt by the Administrative Agent of Term B-4 Notes executed by the Company for each Term B-4 Lender that has requested a Term B-4 Note.

(c) Receipt by the Administrative Agent of satisfactory evidence that, after giving effect to this Amendment, (i) the representations and warranties of the Company and each other Credit Party contained in Article V of the Amended Credit Agreement or any other Loan Document are true and correct in all material respects (or in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) as of the date hereof with the same effect as if made on and as of the date hereof, except to the extent such representations and warranties expressly relate solely to an earlier date (in which event such representations and warranties shall have been true in all material respects (or in all respects if any such representation or warranty is already qualified by materiality or reference to Material Adverse Effect) on and as of such earlier date), and (ii) no event has occurred and is continuing which constitutes a Default or an Event of Default.

(d) Receipt by the Administrative Agent of favorable written opinions (addressed to the Administrative Agent and the Lenders (including each New Lender) and dated the Sixth Amendment Effective Date), in a form reasonably satisfactory to the Administrative Agent, and covering such matters relating to the Credit Parties and this Amendment as the Administrative Agent shall reasonably request.

(e) Receipt by the Administrative Agent of such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Company and each other Credit Party that is a Domestic Subsidiary, the authorization of the Term B-4 Loan and this Amendment, and any other legal matters relating to such Credit Parties, all in form and substance satisfactory to the Administrative Agent and its counsel.

(f) Receipt by the Administrative Agent of a Request for Credit Extension relating to the Term B-4 Loan.

(g) Upon the reasonable request of any Lender, each Credit Party shall have provided to such Lender, and such Lender shall be reasonably satisfied with, the documentation and other information so

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requested in connection with applicable “know your customer” and anti-money-laundering rules and regulations, including, without limitation, the PATRIOT Act and the Beneficial Ownership Regulation.

(h) Payment by the Company of all agreed fees and expenses (including reasonable attorney’s fees of the Administrative Agent).

### 3. New Lenders.

(a) Each Person executing this Amendment under the heading “Lender” that was not a Lender under the Existing Credit Agreement immediately prior to the Sixth Amendment Effective Date (each, a “New Lender”) hereby agrees to provide a Term B-4 Loan Commitment in the amount set forth opposite its name on Schedule 2.01 and the initial Applicable Percentage of each such New Lender with respect to the Term B-4 Loan shall be as set forth therein.

(b) Each New Lender (i) represents and warrants that (A) it has full power and authority, and has taken all action necessary, to execute and deliver this Amendment and to consummate the transactions contemplated hereby and to become a Lender under the Amended Credit Agreement, (B) it has received a copy of the Amended Credit Agreement, and has received or has been accorded the opportunity to receive copies of the most recent financial statements delivered pursuant to Section 6.01 thereof, as applicable, and such other documents and information as it deems appropriate to make its own credit analysis and decision to enter into this Amendment and to become a party to the Amended Credit Agreement, and (C) it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Amendment and to become a party to the Amended Credit Agreement; and (ii) agrees that (A) it will, independently and without reliance on the Administrative Agent or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (B) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

(c) The Company agrees that, as of the Sixth Amendment Effective Date, each New Lender shall (i) be a party to the Amended Credit Agreement and the other Loan Documents, (ii) be a “Lender” with respect to its Loans and Commitments for all purposes of the Amended Credit Agreement and the other Loan Documents, and (iii) have the rights and obligations of a Lender under the Amended Credit Agreement and the other Loan Documents. Each New Lender agrees that it will have the rights and obligations of a Lender under the Amended Credit Agreement and the other Loan Documents.

(d) The address of each New Lender for purposes of all notices and other communications is as set forth on the Administrative Questionnaire delivered by such New Lender to the Administrative Agent.

### 4. Miscellaneous.

(a) The Amended Credit Agreement and the obligations of the Credit Parties thereunder and under the other Loan Documents are hereby ratified and confirmed and shall remain in full force and effect according to their terms, as amended hereby. This Amendment is a Loan Document.

(b) Each Guarantor joins the execution of this Amendment for the purpose of (i) acknowledging and consenting to all of the terms and conditions of this Amendment, (ii) affirming all of its obligations under the Loan Documents, and (iii) agreeing that this Amendment and all documents executed in connection herewith do not operate to reduce or discharge its obligations under the Existing Credit Agreement, the Amended Credit Agreement or the other Loan Documents.

(c) Each Credit Party hereby represents and warrants as follows:

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(i) It has taken all necessary action to authorize the execution, delivery and performance of this Amendment.

(ii) This Amendment has been duly executed and delivered by it and constitutes such Credit Party's legal, valid and binding obligations, enforceable in accordance with its terms, except as such enforceability may be subject to (A) Debtor Relief Law, and (B) general principles of equity (regardless of whether such enforceability is considered in a proceeding at law or in equity).

(iii) No consent, approval, authorization or order of, or filing, registration or qualification with, any court or governmental authority or third party is required in connection with the execution, delivery or performance by such Credit Party of this Amendment.

(d) Each Lender party hereto (including each New Lender) represents and warrants that, after giving effect to this Amendment, the representations and warranties of such Lender set forth in the Amended Credit Agreement are true and correct as of the Sixth Amendment Effective Date. Each Lender party hereto (including each New Lender) hereby agrees to comply with the covenants applicable to such Lender set forth in the Amended Credit Agreement.

(e) This Amendment may be executed in any number of counterparts, each of which when so executed and delivered shall be an original, but all of which shall constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by telecopy or other secure electronic format (.pdf) shall be effective as an original and shall constitute a representation that an executed original shall be delivered.

(f) **THIS AMENDMENT AND ANY CLAIMS, CONTROVERSY, DISPUTE OR CAUSE OF ACTION (WHETHER IN CONTRACT OR TORT OR OTHERWISE) BASED UPON, ARISING OUT OF OR RELATING TO THIS AMENDMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF NEW YORK.** The provisions of Section 10.14(b) of the Existing Credit Agreement are incorporated herein by reference and shall apply to this Amendment and the transactions contemplated hereby *mutatis mutandis*.

[SIGNATURE PAGES FOLLOW]

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IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

BORROWERS:           GLOBAL PAYMENTS INC.,  
  a Georgia corporation

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

GLOBAL PAYMENTS DIRECT, INC.,  
a New York corporation

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

GLOBAL PAYMENTS UK LTD.,  
an English company governed by the Laws of England and Wales

By: /s/ David L. Green  
Name: David L. Green  
Title: Director

GPA PS 3 C.V.,  
a limited partnership formed under the laws of the Netherlands

By: Global Payments Acquisition Corporation 3, LLC, acting in its capacity as general partner on behalf and for the benefit of GPA PS 3 C.V.

By: /s/ David L. Green  
Name: David L. Green  
Title: Manager

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GUARANTORS:       Global Payments DIRECT, Inc.,  
                          a New York corporation

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

GLOBAL PAYMENT HOLDING COMPANY,  
a Delaware corporation

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

GLOBAL PAYMENTS CHECK SERVICES, LLC,  
an Illinois limited liability company

By: /s/ L.J. Williams  
Name: L.J. Williams  
Title: Secretary

GLOBAL PAYMENTS GAMING SERVICES, INC.,  
an Illinois corporation

By: /s/ L.J. Williams  
Name: L.J. Williams  
Title: Secretary

GLOBAL PAYMENTS CHECK RECOVERY SERVICES, INC.,  
a Georgia corporation

By: /s/ L.J. Williams  
Name: L.J. Williams  
Title: Secretary

GLOBAL PAYMENTS GAMING INTERNATIONAL, INC.,  
a Georgia corporation

By: /s/ L.J. Williams  
Name: L.J. Williams  
Title: Secretary

DEBITEK, INC.,  
a Delaware corporation

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

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DIGITAL DINING, LLC,  
a Delaware limited liability company

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

DINERWARE, LLC,  
a Delaware limited liability company

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

GP FINANCE, LLC,  
a Delaware limited liability company

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

GREATER GIVING, INC.,  
a Delaware corporation

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

HEARTLAND ACQUISITION, LLC,  
a Delaware limited liability company

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

XENIAL, INC.,  
a Delaware corporation

By: /s/ David L. Green  
Name: David L. Green  
Title: Secretary

HEARTLAND PAYMENT SOLUTIONS, INC.,  
a Delaware corporation

By: /s/ David L. Green  
Name: David L. Green

---

Title: Secretary

HEARTLAND PAYMENT SYSTEMS, LLC,  
a Delaware limited liability company

By: /s/ David L. Green

Name: David L. Green

Title: Secretary

HEARTLAND PAYROLL SOLUTIONS, INC.,  
a Delaware corporation

By: /s/ David L. Green

Name: David L. Green

Title: Authorized Signatory

OPENEDGE PAYMENTS LLC,  
a Delaware limited liability company

By: /s/ David L. Green

Name: David L. Green

Title: Secretary

PAYPROS LLC,  
a Delaware limited liability company

By: /s/ David L. Green

Name: David L. Green

Title: Secretary

PAYROLL 1, INC.,  
a Michigan corporation

By: /s/ David L. Green

Name: David L. Green

Title: Authorized Signatory

PCAMERICA, LLC,  
a Delaware limited liability company

By: /s/ David L. Green

Name: David L. Green

Title: Secretary

TOUCHNET INFORMATION SYSTEMS, INC.,  
a Kansas corporation

By: /s/ David L. Green

Name: David L. Green



Title: Secretary

XPIENT, LLC,  
a Delaware limited liability company

By: /s/ David L. Green

Name: David L. Green

Title: Secretary

EDUCATIONAL COMPUTER SYSTEMS, INC.,  
a Pennsylvania corporation

By: /s/ Eric Ives

Name: Eric Ives

Title: Secretary

ATHLACTION TOPCO LLC,  
a Delaware limited liability company

By: /s/ David L. Green

Name: David L. Green

Title: Secretary

VEPF IV AIV VII-C CORP.,  
a Delaware corporation

By: /s/ David L. Green

Name: David L. Green

Title: Secretary

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ADMINISTRATIVE AGENT:

BANK OF AMERICA, N.A.,  
as Administrative Agent

By: /s/ Angela Larkin

Name: Angela Larkin

Title: Vice President

LENDERS:

BANK OF AMERICA, N.A.,  
as a Lender, Swing Line Lender and L/C Issuer

By: /s/ Thomas M. Paulk

Name: Thomas M. Paulk

Title: Senior Vice President

PNC BANK, NATIONAL ASSOCIATION,  
as a Lender and L/C Issuer

By: /s/ Brandon K. Fiddler

Name: Brandon K. Fiddler

Title: Senior Vice President

55 LOAN STRATEGY FUND,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: BlackRock Financial Management Inc., its Investment Manager

By: /s/ Gina Forziati

Name: Gina Forziati

Title: Authorized Signatory

55 LOAN STRATEGY FUND SERIES 2,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: BlackRock Financial Management Inc., its Investment Manager

By: /s/ Gina Forziati

Name: Gina Forziati

Title: Authorized Signatory

55 LOAN STRATEGY FUND SERIES 3,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: BlackRock Financial Management Inc., its Investment Manager

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By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory  
55 LOAN STRATEGY FUND SERIES 4,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: BlackRock Financial Management Inc., its Investment Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

ABR REINSURANCE LTD.,  
as a Lender

By: BlackRock Financial Management Inc., its Investment Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

ACE PROPERTY & CASUALTY INSURANCE COMPANY,  
as a Lender

By: BlackRock Financial Management Inc., its Investment Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

ACIS CLO 2017-7 LTD.,  
as a Lender

By: /s/ Carter Chism  
Name: Carter Chism  
Title: Authorized Signatory

AEGIS ELECTRIC AND GAS INTERNATIONAL SERVICES, LTD.,  
as a Lender

By: Shenkman Capital Management, Inc., as its Investment Manager

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

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ALPHAFIXE FLOATING RATE BANK LOAN FUND,  
as a Lender

By: /s/ Diane Favreau  
Name: Diane Favreau  
Title: Managing Director

AMJ BANK LOAN FUND,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Brown Brothers Harriman Trust Company (Cayman) Limited acting solely in its capacity as trustee of AMJ Bank Loan Fund, a series trust of Multi Manager Global Investment Trust, acting by Highbridge Principal Strategies, LLC as attorney-in-fact, and expressly on the basis that the parties agree they shall not have recourse to the assets of Multi

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

AMJ BANK LOAN FUND SERIES 2,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

AMJ LOAN FUND SERIES 3,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Brown Brothers Harriman Trust Company (Cayman) Limited acting solely in its capacity as trustee of AMJ Loan Fund Series 3, a series trust of Multi Manager Global Investment Trust, acting by HPS Investment Partners, LLC as attorney-in-fact

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

AMJ LOAN FUND SERIES 4,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

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By: Brown Brothers Harriman Trust Company (Cayman) Limited acting solely in its capacity as trustee of AMJ Loan Fund Series 4, a series trust of Multi Manager Global Investment Trust, acting by HPS Investment Partners, LLC as attorney-in-fact

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

AMMC CLO 15, LIMITED,  
as a Lender

By: American Money Management Corp., as Collateral Manager

By: /s/ David P. Meyer  
Name: David P. Meyer  
Title: Senior Vice President

AMMC CLO 16, LIMITED,  
as a Lender

By: American Money Management Corp., as Collateral Manager

By: /s/ David P. Meyer  
Name: David P. Meyer  
Title: Senior Vice President

AMMC CLO 17, LIMITED,  
as a Lender

By: American Money Management Corp., as Collateral Manager

By: /s/ David P. Meyer  
Name: David P. Meyer  
Title: Senior Vice President

AMMC CLO 18, LIMITED,  
as a Lender

By: American Money Management Corp., as Collateral Manager

By: /s/ David P. Meyer  
Name: David P. Meyer  
Title: Senior Vice President

AMMC CLO 19, LIMITED,

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as a Lender

By: American Money Management Corp., as Collateral Manager

By: /s/ David P. Meyer

Name: David P. Meyer

Title: Senior Vice President

AMMC CLO 20, LIMITED,

as a Lender

By: American Money Management Corp., as Collateral Manager

By: /s/ David P. Meyer

Name: David P. Meyer

Title: Senior Vice President

AMMC CLO XI, LIMITED,

as a Lender

By: American Money Management Corp., as Collateral Manager

By: /s/ David P. Meyer

Name: David P. Meyer

Title: Senior Vice President

AMMC CLO XIII, LIMITED,

as a Lender

By: American Money Management Corp., as Collateral Manager

By: /s/ David P. Meyer

Name: David P. Meyer

Title: Senior Vice President

AMMC CLO XIV, LIMITED,

as a Lender

By: /s/ David P. Meyer

Name: David P. Meyer

Title: Senior Vice President

APEX CREDIT CLO 2017-II LTD.,

as a Lender

By: Apex Credit Partners LLC

---

By: /s/ Andrew Stern  
Name: Andrew Stern  
Title: Managing Director

APIDOS CLO XIII,  
as a Lender

By: Its Collateral Manager CVC Credit Partners, LLC

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

APIDOS CLO XV,  
as a Lender

By: Its Collateral Manager CVC Credit Partners, LLC

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

APIDOS CLO XVI,  
as a Lender

By: Its Collateral Manager CVC Credit Partners, LLC

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

APIDOS CLO XVIII,  
as a Lender

By: Its Collateral Manager CVC Credit Partners, LLC

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

APIDOS CLO XX,  
as a Lender

By: Its Collateral Manager CVC Credit Partners, LLC

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

APIDOS CLO XXI,  
as a Lender

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By: Its Collateral Manager CVC Credit Partners, LLC

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

APIDOS CLO XXII,  
as a Lender

By: Its Collateral Manager CVC Credit Partners, LLC

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

APIDOS CLO XXIII,  
as a Lender

By: Its Collateral Manager CVC Credit Partners, LLC

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

APIDOS CLO XXV,  
as a Lender

By: Its Collateral Manager CVC Credit Partners

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

ARES LOAN TRUST 2011,  
as a Lender

By: Ares Management LLC, its Investment Manager

By: /s/ Ben Kattan  
Name: Ben Kattan  
Title: Authorized Signatory

ARES XXIX CLO LTD.,  
as a Lender

By: Ares CLO Management XXIX, L.P., its Asset Manager

By: Ares CLO GP XXIX, LLC, its General Partner

---

By: /s/ Ben Kattan  
Name: Ben Kattan  
Title: Authorized Signatory

ARES XXVIII CLO LTD.,  
as a Lender

By: Ares CLO Management LLC, its Asset Manager

By: /s/ Ben Kattan  
Name: Ben Kattan  
Title: Authorized Signatory

ARES XXXIII CLO LTD.,  
as a Lender

By: Ares CLO Management XXXIII, L.P., its Asset Manager

By: /s/ Ben Kattan  
Name: Ben Kattan  
Title: Authorized Signatory

ARES XXXIR CLO LTD.,  
as a Lender

By: Ares CLO Management LLC, as Asset Manager

By: /s/ Ben Kattan  
Name: Ben Kattan  
Title: Authorized Signatory

ASCENSION ALPHA FUND, LLC,  
as a Lender

By: MacKay Shields LLC, solely as Investment Manager and agent

By: /s/ Dan Roberts  
Name: Dan Roberts  
Title: Executive Managing Director

ASSOCIATED BANK, N.A.,  
as a Lender

By: /s/ Jamie Boney  
Name: Jamie Boney  
Title: Vice President

---

ASSOCIATED ELECTRIC & GAS INSURANCE SERVICES LIMITED,  
as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun

Name: Dov Braun

Title: CFO

AVERY POINT V CLO, LIMITED,  
as a Lender

By: Bain Capital Credit, LP, as Portfolio Manager

By: /s/ Andrew Viens

Name: Andrew Viens

Title: Executive Vice President

AZB FUNDING 7,  
as a Lender

By: /s/ Robert Gates

Name: Robert Gates

Title: Authorized Signatory

BANK OF MONTREAL,  
as a Lender

By: /s/ Scott Matthews

Name: Scott Matthews

Title: Managing Director, CFO, EMEA BMO Financial Group

By: /s/ Jeff Couch

Name: Jeff Couch

Title: Managing Director

BLACKROCK GLOBAL INVESTMENT SERIES: INCOME STRATEGIES PORTFOLIO,  
as a Lender

By: BlackRock Financial Management, Inc., its Sub-Advisor

By: /s/ Gina Forziati

Name: Gina Forziati

Title: Authorized Signatory

---

BLUECROSS BLUESHIELD OF TENNESSEE, INC.,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

BRITISH COAL STAFF SUPERANNUATION SCHEME,  
as a Lender

By: Wellington Management Company LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

BYLINE BANK,  
as a Lender

By: /s/ Chris Barnidjya  
Name: Chris Barnidjya  
Title: Senior Vice President

CANADIAN IMPERIAL BANK OF COMMERCE, NEW YORK BRANCH,  
as a Lender

By: /s/ Andrew R. Campbell  
Name: Andrew R. Campbell  
Title: Authorized Signatory

By: /s/ Melissa E. Brown  
Name: Melissa E. Brown  
Title: Authorized Signatory

CANYON CLO 2016-1, LTD.,  
as a Lender

By: Canyon CLO Advisors LLC, its Collateral Manager

By: /s/ Jonathan M. Kaplan  
Name: Jonathan M. Kaplan  
Title: Authorized Signatory

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CANYON CLO 2016-2, LTD.,  
as a Lender

By: Canyon CLO Advisors LLC, its Collateral Manager

By: /s/ Jonathan M. Kaplan  
Name: Jonathan M. Kaplan  
Title: Authorized Signatory

CAPITAL ONE, N.A.,  
as a Lender

By: /s/ Jon Malden  
Name: Jon Malden  
Title: Senior Director

CARE SUPER,  
as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

CENTURYLINK, INC. DEFINED CONTRIBUTION PLAN MASTER TRUST,  
as a Lender

By: MacKay Shields LLC, as Investment Adviser and not individually

By: /s/ Dan Roberts  
Name: Dan Roberts  
Title: Executive Managing Director

CHRISTIAN SUPER,  
as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

CHUBB EUROPEAN GROUP PLC,  
as a Lender

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By: BlackRock Financial Management, Inc., its Sub-Advisor

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

CITIBANK, N.A.,  
as a Lender

By: /s/ Marina Donskaya  
Name: Marina Donskaya  
Title: Vice President

CITIZENS BANK, N.A.,  
as a Lender

By: /s/ Nicholas Christofer  
Name: Nicholas Christofer  
Title: Vice President

CREDOS FLOATING RATE FUND LP,  
as a Lender

By: Shenkman Capital Management, Inc., as General Partner

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

DOUBLELINE LOW DURATION BOND FUND,  
as a Lender

By: DoubleLine Capital LP, as Investment Advisor

By: /s/ Peter Hwang  
Name: Peter Hwang  
Title: Authorized Signatory

DYNAMIC CREDIT STRATEGY US FLOATING RATE INCOME FUND,  
a series trust of Dynamic Umbrella Fund,  
as a Lender

By: Credit Suisse Asset Management, LLC, as Investment Manager for CIBC Bank  
and Trust Company (Cayman) Limited, as trustee of Dynamic Credit Strategy US  
Floating Rate Income Fund, a series trust of Dynamic Umbrella Fund

By: /s/ Thomas Flannery

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Name: Thomas Flannery  
Title: Managing Director

EATON VANCE BANK LOAN FUND,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof  
Name: Michael Brotthof  
Title: Vice President

EATON VANCE BANK LOAN FUND SERIES II,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof  
Name: Michael Brotthof  
Title: Vice President

EATON VANCE CLO 2013-1 LTD.,  
as a Lender

By: Eaton Vance Management, as Portfolio Manager

By: /s/ Michael Brotthof  
Name: Michael Brotthof  
Title: Vice President

EATON VANCE CLO 2014-1R, LTD.,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof  
Name: Michael Brotthof  
Title: Vice President

EATON VANCE CLO 2015-1 LTD.,  
as a Lender

By: Eaton Vance Management, as Portfolio Manager

By: /s/ Michael Brotthof  
Name: Michael Brotthof

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Title: Vice President

EATON VANCE FLOATING-RATE INCOME PLUS FUND,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

EATON VANCE FLOATING-RATE INCOME TRUST,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

EATON VANCE FLOATING RATE PORTFOLIO,  
as a Lender

By: Boston Management and Research, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

EATON VANCE INSTITUTIONAL SENIOR LOAN FUND,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

EATON VANCE LIMITED DURATION INCOME FUND,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

EATON VANCE LOAN FUND SERIES III,  
a series trust of Multi Manager Global Investment Trust,

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as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

EATON VANCE LOAN FUND SERIES IV,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

EATON VANCE SENIOR FLOATING-RATE TRUST,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

EATON VANCE SENIOR INCOME TRUST,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

EATON VANCE VT FLOATING-RATE INCOME FUND,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

ELECTRONIC DATA SYSTEMS 1994 PENSION SCHEME,  
as a Lender

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By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun

Name: Dov Braun

Title: CFO

ELECTRONIC DATA SYSTEMS RETIREMENT PLAN,  
as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun

Name: Dov Braun

Title: CFO

ELEVATION CLO 2014-2, LTD.,  
as a Lender

By: ArrowMark Colorado Holdings LLC, as Collateral Manager

By: /s/ Sanjai Bhonsle

Name: Sanjai Bhonsle

Title: Portfolio Manager

ELEVATION CLO 2017-7, LTD.,  
as a Lender

By: 325 Fillmore LLC, as Collateral Manager

By: /s/ Sanjai Bhonsle

Name: Sanjai Bhonsle

Title: Portfolio Manager

ELYSIUM LTD.,  
as a Lender

By: /s/ Pavel Antonov

Name: Pavel Antonov

Title: Authorized Signatory

EMPLOYEES' RETIREMENT SYSTEM OF THE STATE OF RHODE ISLAND,  
as a Lender

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By: Pacific Investment Management Company LLC, as its Investment Advisor

By: /s/ Arthur Y.D. Ong

Name: Arthur Y.D. Ong

Title: Executive Vice President

EMPLOYERS COMPENSATION INSURANCE COMPANY,  
as a Lender

By: BlackRock Financial Management, Inc.

By: /s/ Gina Forziati

Name: Gina Forziati

Title: Authorized Signatory

EMPLOYERS INSURANCE COMPANY OF NEVADA,  
as a Lender

By: BlackRock Financial Management, Inc.

By: /s/ Gina Forziati

Name: Gina Forziati

Title: Authorized Signatory

EMPLOYERS PREFERRED INSURANCE COMPANY,  
as a Lender

By: BlackRock Financial Management, Inc.

By: /s/ Gina Forziati

Name: Gina Forziati

Title: Authorized Signatory

FIFTH THIRD BANK,  
as a Lender

By: /s/ Pan Komotor

Name: Pan Komotor

Title: Senior Relationship Manager

FIRST AMERICAN TITLE INSURANCE COMPANY,  
as a Lender

By: Pacific Investment Management Company LLC, as its Investment Advisor

By: /s/ Arthur Y.D. Ong

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Name: Arthur Y.D. Ong  
Title: Executive Vice President

FIRST HAWAIIAN BANK,  
as a Lender

By: /s/ Christopher M. Yasuma  
Name: Christopher M. Yasuma  
Title: Vice President

FIXED INCOME OPPORTUNITIES NERO, LLC,  
as a Lender

By: BlackRock Financial Management Inc., its Investment Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

GIM CREDIT MASTER LUX S.A.R.L.,  
as a Lender

By: HPS Investment Partners, LLC, as Investment Manager

By: /s/ Serge Adam  
Name: Serge Adam  
Title: Managing Director

GOLDMAN SACHS BANK USA,  
as a Lender

By: /s/ David K. Gaskell  
Name: David K. Gaskell  
Title: Authorized Signer

HALCYON LOAN ADVISORS FUNDING 2013-2 LTD.,  
as a Lender

By: /s/ David Martino  
Name: David Martino  
Title: Controller

HALCYON LOAN ADVISORS FUNDING 2014-2 LTD.,  
as a Lender

By: Halcyon Loan Advisors 2014-2 LLC, as Collateral Manager

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By: /s/ David Martino  
Name: David Martino  
Title: Controller

HALCYON LOAN ADVISORS FUNDING 2014-3 LTD,  
as a Lender

By: Halcyon Loan Advisors 2014-3 LLC, as Collateral Manager

By: /s/ David Martino  
Name: David Martino  
Title: Controller

HALCYON LOAN ADVISORS FUNDING 2017-1 LTD,  
as a Lender

By: Halcyon Loan Advisors A LLC, as Collateral Manager

By: /s/ David Martino  
Name: David Martino  
Title: Controller

HALCYON LOAN ADVISORS FUNDING 2017-2 LTD,  
as a Lender

By: Halcyon Loan Advisors A LLC, as Collateral Manager

By: /s/ David Martino  
Name: David Martino  
Title: Controller

HALCYON LOAN ADVISORS FUNDING 2018-1 LTD.,  
as a Lender

By: /s/ David Martino  
Name: David Martino  
Title: Controller

THE HARTFORD INFLATION PLUS FUND,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

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HEALTH EMPLOYEES SUPERANNUATION TRUST AUSTRALIA,  
as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

HIGHBRIDGE LOAN MANAGEMENT 5-2015, LTD.,  
as a Lender

By: HPS Investment Partners, LLC, as Collateral Manager

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

HIGHMARK INC.,  
as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

HORIZONS ACTIVE FLOATING RATE SENIOR LOAN ETF,  
as a Lender

By: AlphaCredit

By: /s/ Diane Favreau  
Name: Diane Favreau  
Title: Managing Director

HPS LOAN MANAGEMENT 4-2014, LTD.,  
as a Lender

By: HPS Investment Partners, LLC, as Collateral Manager

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

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HPS LOAN MANAGEMENT 6-2015, LTD.,  
as a Lender

By: HPS Investment Partners, LLC, as Collateral Manager

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

HPS LOAN MANAGEMENT 7-2015, LTD.,  
as a Lender

By: HPS Investment Partners CLO (US), LLC, its Investment Manager

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

HPS LOAN MANAGEMENT 8-2016, LTD.,  
as a Lender

By: HPS Investment Partners, LLC, as Collateral Manager

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

ILLINOIS STATE BOARD OF INVESTMENT,  
as a Lender

By: THL Credit Senior Loan Strategies LLC, as Investment Manager

By: /s/ James R. Fellows  
Name: James R. Fellows  
Title: Managing Director/Co-Head

INNOVATION TRUST 2009,  
as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof  
Name: Michael Brotthof  
Title: Vice President

INNOVATION TRUST 2011,

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as a Lender

By: Eaton Vance Management, as Investment Advisor

By: /s/ Michael Brotthof

Name: Michael Brotthof

Title: Vice President

JFIN CLO 2014-II LTD.,

as a Lender

By: Apex Credit Partners LLC, as Portfolio Manager

By: /s/ Andrew Stern

Name: Andrew Stern

Title: Managing Director

JFIN CLO 2015 LTD.,

as a Lender

By: Apex Credit Partners LLC, as Portfolio Manager

By: /s/ Andrew Stern

Name: Andrew Stern

Title: Managing Director

JPMORGAN CHASE BANK, N.A.,

as a Lender

By: /s/ Bruce S. Borden

Name: Bruce S. Borden

Title: Executive Director

KENTUCKY RETIREMENT SYSTEMS (SHENKMAN - INSURANCE FUND  
ACCOUNT),

as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun

Name: Dov Braun

Title: CFO

KENTUCKY RETIREMENT SYSTEMS (SHENKMAN - PENSION ACCOUNT),

as a Lender

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By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

KENTUCKY TEACHERS' RETIREMENT SYSTEM INSURANCE TRUST FUND,  
as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

KKR CLO 11 LTD.,  
as a Lender

By: /s/ Jeffrey Smith  
Name: Jeffrey Smith  
Title: Authorized Signatory

KKR CLO 12 LTD.,  
as a Lender

By: /s/ Jeffrey Smith  
Name: Jeffrey Smith  
Title: Authorized Signatory

KKR CLO 16 LTD.,  
as a Lender

By: /s/ Jeffrey Smith  
Name: Jeffrey Smith  
Title: Authorized Signatory

KKR CLO 17 LTD.,  
as a Lender

By: /s/ Jeffrey Smith  
Name: Jeffrey Smith  
Title: Authorized Signatory

KKR CLO 20 LTD.,

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as a Lender

By: /s/ Jeffrey Smith  
Name: Jeffrey Smith  
Title: Authorized Signatory

KKR FINANCIAL CLO 2013-1, LTD.,  
as a Lender

By: /s/ Jeffrey Smith  
Name: Jeffrey Smith  
Title: Authorized Signatory

KOCH FINANCIAL ASSETS V, LLC,  
as a Lender

By: DoubleLine Capital LP, as Investment Advisor

By: /s/ Peter Hwang  
Name: Peter Hwang  
Title: Authorized Signatory

KVK CLO 2013-2, LTD.,  
as a Lender

By: THL Credit Advisors LLC, as Successor Collateral Manager

By: /s/ James R. Fellows  
Name: James R. Fellows  
Title: Managing Director/Co-Head

KVK CLO 2014-1 LTD.,  
as a Lender

By: THL Credit Advisors LLC, as Successor Collateral Manager

By: /s/ James R. Fellows  
Name: James R. Fellows  
Title: Managing Director/Co-Head

KVK CLO 2014-2 LTD.,  
as a Lender

By: THL Credit Advisors LLC, as Successor Collateral Manager

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By: /s/ James R. Fellows  
Name: James R. Fellows  
Title: Managing Director/Co-Head

LIQUID LOAN OPPORTUNITIES MASTER FUND, L.P.,  
as a Lender

By: HPS Investment Partners, LLC, its Investment Manager

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

LOOMIS SAYLES LOAN FUND 2016,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Loomis, Sayles & Company, L.P., its Investment Manager

By: Loomis, Sayles & Company, Incorporated, its General Partner

By: /s/ Mary McCarthy  
Name: Mary McCarthy  
Title: Vice President, Legal and Compliance Analyst

LOOMIS SAYLES LOAN FUND,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Loomis, Sayles & Company, L.P., its Investment Manager

By: Loomis, Sayles & Company, Incorporated, its General Partner

By: /s/ Mary McCarthy  
Name: Mary McCarthy  
Title: Vice President, Legal and Compliance Analyst

LORD ABBETT FLOATING RATE FUND LTD.,  
as a Lender

By: Lord, Abnett & Co. LLC, as Investment Manager

By: /s/ Kearney Posner  
Name: Kearney Posner  
Title: Associate Portfolio Manager

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MACKAY SHIELDS CORE PLUS OPPORTUNITIES CIT,  
as a Lender

By: MacKay Shields LLC, as Investment Advisor and not individually

By: /s/ Dan Roberts  
Name: Dan Roberts  
Title: Executive Managing Director

MACKAY SHIELDS DEFENSIVE BOND ARBITRAGE FUND LTD.,  
as a Lender

By: MacKay Shields LLC, as Investment Advisor and not individually

By: /s/ Dan Roberts  
Name: Dan Roberts  
Title: Executive Managing Director

MACKAY SHORT DURATION HIGH YIELD FUND,  
as a Lender

By: MacKay Shields LLC, as Investment Advisor and not individually

By: /s/ Dan Roberts  
Name: Dan Roberts  
Title: Executive Managing Director

MAGNETITE IX, LIMITED,  
as a Lender

By: BlackRock Financial Management, Inc., its Collateral Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

MAGNETITE VII, LIMITED,  
as a Lender

By: BlackRock Financial Management, Inc., its Collateral Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

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MAGNETITE XII, LTD.,  
as a Lender

By: BlackRock Financial Management, Inc., its Collateral Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

MAGNETITE XV, LIMITED,  
as a Lender

By: BlackRock Financial Management, Inc., its Investment Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

MAGNETITE XVI, LIMITED,  
as a Lender

By: BlackRock Financial Management, Inc., its Portfolio Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

MAGNETITE XVII, LIMITED,  
as a Lender

By: BlackRock Financial Management, Inc., its Interim Investment Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

MAINSTAY INCOME BUILDER FUND,  
a series of the MainStay Funds,  
as a Lender

By: MacKay Shields LLC, as Investment Adviser and not individually

By: /s/ Dan Roberts

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Name: Dan Roberts  
Title: Executive Managing Director

MAINSTAY UNCONSTRAINED BOND FUND,  
a series of the MainStay Funds,  
as a Lender

By: MacKay Shields LLC, as Subadvisor and not individually

By: /s/ Dan Roberts  
Name: Dan Roberts  
Title: Executive Managing Director

MAINSTAY VP INCOME BUILDER PORTFOLIO,  
a series of MainStay VP Funds Trust,  
as a Lender

By: MacKay Shields LLC, as Investment Adviser and not individually

By: /s/ Dan Roberts  
Name: Dan Roberts  
Title: Executive Managing Director

MAINSTAY VP UNCONSTRAINED BOND PORTFOLIO,  
a series of MainStay VP Funds Trust,  
as a Lender

By: MacKay Shields LLC, as Subadvisor and not individually

By: /s/ Dan Roberts  
Name: Dan Roberts  
Title: Executive Managing Director

MATTERNHORN LOAN TRUST 2015,  
as a Lender

By: Credit Suisse Asset Management, LLC as investment manager for BNY Mellon  
Trust Company (Cayman) Ltd., the trustee for Matterhorn Loan Trust 2015

By: /s/ Thomas Flannery  
Name: Thomas Flannery  
Title: Managing Director

MEDTRONIC HOLDING SWITZERLAND GMBH,  
as a Lender

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By: Wellington Management Company, LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

MIDOCEAN CREDIT CLO I,  
as a Lender

By: /s/ Jim Wiant  
Name: Jim Wiant  
Title: Managing Director

MINEWORKERS' PENSION SCHEME,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

MIZUHO BANK, LTD.,  
as a Lender

By: /s/ Raymond Ventura  
Name: Raymond Ventura  
Title: Managing Director

MUFG BANK, LTD. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.),  
as a Lender

By: /s/ Lillian Kim  
Name: Lillian Kim  
Title: Director

NEW YORK LIFE INSURANCE COMPANY, GP - PORTABLE ALPHA,  
as a Lender

By: MacKay Shields LLC, as Investment Adviser and not individually

By: /s/ Dan Roberts  
Name: Dan Roberts

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Title: Executive Managing Director

NEW YORK LIFE INSURANCE COMPANY (GUARANTEED PRODUCTS),  
as a Lender

By: MacKay Shields LLC, as Investment Adviser and not individually

By: /s/ Dan Roberts

Name: Dan Roberts

Title: Executive Managing Director

OAKTREE EIF III SERIES II, LTD.,  
as a Lender

By: Oaktree Capital Management, L.P., its Collateral Manager

By: /s/ Lin Tien

Name: Lin Tien

Title: Vice President

By: /s/ Armen Panossian

Name: Armen Panossian

Title: Managing Director

OCTAGON INVESTMENT PARTNERS 24, LTD.,  
as a Lender

By: Octagon Credit Investors, LLC, as Collateral Manager

By: /s/ Kimberly Wong Lem

Name: Kimberly Wong Lem

Title: Vice President, Portfolio Administration

OCTAGON INVESTMENT PARTNERS XVI, LTD.,  
as a Lender

By: Octagon Credit Investors, LLC, as Collateral Manager

By: /s/ Kimberly Wong Lem

Name: Kimberly Wong Lem

Title: Vice President, Portfolio Administration

OCTAGON INVESTMENT PARTNERS XXII, LTD.,  
as a Lender

By: Octagon Credit Investors, LLC, as Collateral Manager

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By: /s/ Kimberly Wong Lem  
Name: Kimberly Wong Lem  
Title: Vice President, Portfolio Administration

OCTAGON INVESTMENT PARTNERS XXIII, LTD.,  
as a Lender

By: Octagon Credit Investors, LLC, as Collateral Manager

By: /s/ Kimberly Wong Lem  
Name: Kimberly Wong Lem  
Title: Vice President, Portfolio Administration

OCTAGON LOAN TRUST 2010,  
as a Lender

By: Octagon Credit Investors, LLC, as Investment Manager on behalf of The Bank of  
New York Trust Company (Cayman) Limited, as Trustee of Octagon Loan Trust  
2010

By: /s/ Kimberly Wong Lem  
Name: Kimberly Wong Lem  
Title: Vice President, Portfolio Administration

OCTAGON PAUL CREDIT FUND SERIES I, LTD.,  
as a Lender

By: Octagon Credit Investors, LLC, as Portfolio Manager

By: /s/ Kimberly Wong Lem  
Name: Kimberly Wong Lem  
Title: Vice President, Portfolio Administration

OHA CREDIT PARTNERS IX, LTD.,  
as a Lender

By: Oak Hill Advisors, L.P., as Portfolio Manager

By: /s/ Glenn August  
Name: Glenn August  
Title: Authorized Signatory

OHA CREDIT PARTNERS X, LTD.,  
as a Lender

By: Oak Hill Advisors, L.P., as Portfolio Manager

By: /s/ Glenn August  
Name: Glenn August

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Title: Authorized Signatory

OHA LOAN FUNDING 2013-1, LTD.,  
as a Lender

By: Oak Hill Advisors, L.P., as Portfolio Manager

By: /s/ Glenn August

Name: Glenn August

Title: Authorized Signatory

OHIO POLICE & FIRE PENSION FUND,  
as a Lender

By: MacKay Shields LLC, as Investment Adviser and not individually

By: /s/ Dan Roberts

Name: Dan Roberts

Title: Executive Managing Director

OZLM FUNDING II, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its portfolio manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

OZLM FUNDING III, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its portfolio manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

OZLM FUNDING IV, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its portfolio manager

By: Och-Ziff Loan Management LLC, its general partner

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By: /s/ Wayne Cohen  
Name: Wayne Cohen  
Title: President and Chief Operating Officer

OZLM FUNDING, LTD.,  
as a Lender

By: OZ CLO Management LLC, its portfolio manager

By: /s/ Wayne Cohen  
Name: Wayne Cohen  
Title: President and Chief Operating Officer

OZLM IX, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its collateral manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen  
Name: Wayne Cohen  
Title: President and Chief Operating Officer

OZLM VI, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its asset manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen  
Name: Wayne Cohen  
Title: President and Chief Operating Officer

OZLM VII, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its collateral manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen  
Name: Wayne Cohen

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Title: President and Chief Operating Officer

OZLM VIII, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its collateral manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

OZLM XI, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its collateral manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

OZLM XII, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its collateral manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

OZLM XIII, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its collateral manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

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OZLM XIV, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its collateral manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

OZLM XV, LTD.,  
as a Lender

By: Och-Ziff Loan Management LP, its collateral manager

By: Och-Ziff Loan Management LLC, its general partner

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

OZLM XVI, LTD.,  
as a Lender

By: OZ CLO Management LLC, its successor portfolio manager

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

OZLM XXII, LTD.,  
as a Lender

By: OZ CLO Management LLC, its collateral manager

By: /s/ Wayne Cohen

Name: Wayne Cohen

Title: President and Chief Operating Officer

PACIFIC LIFE INSURANCE COMPANY (for IMDBKLNS Account),  
as a Lender

By: /s/ Anar Majmudar

Name: Anar Majmudar

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Title: Authorized Signatory

By: /s/ Norman Yang

Name: Norman Yang

Title: Authorized Signatory

PACIFIC SELECT FUND FLOATING RATE PORTFOLIO,  
as a Lender

By: Eaton Vance Management, as Investment Sub-Advisor

By: /s/ Michael Brothof

Name: Michael Brothof

Title: Vice President

PERMANENS CAPITAL FLOATING RATE FUND LP,  
as a Lender

By: BlackRock Financial Management Inc., its Sub-Advisor

By: /s/ Gina Forziati

Name: Gina Forziati

Title: Authorized Signatory

PHILLIPS 66 RETIREMENT PLAN TRUST,  
as a Lender

By: Credit Suisse Asset Management, LLC, as Investment Manager

By: /s/ Thomas Flannery

Name: Thomas Flannery

Title: Managing Director

PIMCO BERMUDA TRUST II: PIMCO BERMUDA BANK LOAN FUND (M),  
as a Lender

By: Pacific Investment Management Company LLC, as its Investment Advisor

By: /s/ Arthur Y.D. Ong

Name: Arthur Y.D. Ong

Title: Executive Vice President

PIMCO CAYMAN BANK LOAN LIBOR PLUS FUND JPY HEDGE,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

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By: Pacific Investment Management Company LLC, as its Investment Advisor

By: /s/ Arthur Y.D. Ong  
Name: Arthur Y.D. Ong  
Title: Executive Vice President

PIMCO CAYMAN BANK LOAN LIBOR PLUS FUND JPY HEDGE SERIES 2,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Pacific Investment Management Company LLC, as its Investment Advisor

By: /s/ Arthur Y.D. Ong  
Name: Arthur Y.D. Ong  
Title: Executive Vice President

PIMCO CAYMAN BB LOAN FUND JPY HEDGE 2018,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Pacific Investment Management Company LLC, as its Investment Advisor

By: /s/ Arthur Y.D. Ong  
Name: Arthur Y.D. Ong  
Title: Executive Vice President

PIMCO CAYMAN LOAN LIBOR PLUS FUND JPY HEDGE SERIES 3,  
a series trust of Multi Manager Global Investment Trust,  
as a Lender

By: Pacific Investment Management Company LLC, as its Investment Advisor

By: /s/ Arthur Y.D. Ong  
Name: Arthur Y.D. Ong  
Title: Executive Vice President

PIMCO CAYMAN TRUST: PIMCO CAYMAN BANK LOAN FUND,  
as a Lender

By: Pacific Investment Management Company LLC, as its Investment Advisor

By: /s/ Arthur Y.D. Ong

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Name: Arthur Y.D. Ong  
Title: Executive Vice President

PIMCO FUNDS IRELAND PLC: PIMCO SENIOR LOAN FUND,  
as a Lender

By: Pacific Investment Management Company LLC, as its Investment Advisor

By: /s/ Arthur Y.D. Ong  
Name: Arthur Y.D. Ong  
Title: Executive Vice President

PREFERRED MUTUAL INSURANCE COMPANY,  
as a Lender

By: Wellington Management Company LLP, as its Investment Advisor

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

REGATTA II FUNDING LP,  
as a Lender

By: Napier Park Global Capital (US) LP, as Attorney-in-Fact

By: /s/ Melanie Hanlon  
Name: Melanie Hanlon  
Title: Managing Director

REGATTA IX FUNDING LTD.,  
as a Lender

By: Regatta Loan Management LLC, its Collateral Manager

By: /s/ Melanie Hanlon  
Name: Melanie Hanlon  
Title: Managing Director

REGATTA V FUNDING LTD,  
as a Lender

By: Napier Park Global Capital (US) LP, as Attorney-in-Fact

By: /s/ Melanie Hanlon  
Name: Melanie Hanlon

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Title: Managing Director

REGATTA VI FUNDING LTD,  
as a Lender

By: Regatta Loan Management LLC, its Collateral Manager

By: /s/ Melanie Hanlon

Name: Melanie Hanlon

Title: Managing Director

REGATTA VII FUNDING LTD,  
as a Lender

By: Regatta Loan Management LLC, its Collateral Manager

By: /s/ Melanie Hanlon

Name: Melanie Hanlon

Title: Managing Director

REGATTA VIII FUNDING LTD,  
as a Lender

By: Regatta Loan Management LLC, as Attorney-in-Fact

By: /s/ Melanie Hanlon

Name: Melanie Hanlon

Title: Managing Director

REGATTA XIII FUNDING LTD.,  
as a Lender

By: Napier Park Global Capital (US) LP, as Attorney-in-Fact

By: /s/ Melanie Hanlon

Name: Melanie Hanlon

Title: Managing Director

REGATTA XIV FUNDING LTD.,  
as a Lender

By: Regatta Loan Management LLC, its Collateral Manager

By: /s/ Melanie Hanlon

Name: Melanie Hanlon

Title: Managing Director

RENAISSANCE TRUST 2009,  
as a Lender

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By: HPS Investment Partners LLC, its Sub-Investment Manager

By: /s/ Jamie Donsky  
Name: Jamie Donsky  
Title: Senior Vice President

ROMARK CLO - I LTD,  
as a Lender

By: Shenkman Capital Management, Inc, as Servicer

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

ROSE HILL SENIOR LOAN FUND,  
a series trust of Credit Suisse Horizon Trust,  
as a Lender

By: Credit Suisse Asset Management, LLC, the investment manager for Maples  
Trustee Services (Cayman) Limited, the Trustee for Rose Hill Senior Loan Fund, a  
series trust of Credit Suisse Horizon Trust

By: /s/ Thomas Flannery  
Name: Thomas Flannery  
Title: Managing Director

RUSSELL INVESTMENT COMPANY MULTI-ASSET GROWTH STRATEGY FUND,  
as a Lender

By: THL Credit Advisors LLC, as Investment Manager

By: /s/ Jamie R. Fellows  
Name: Jamie R. Fellows  
Title: Managing Director/Co-Head

RUSSELL INVESTMENT COMPANY RUSSELL MULTI-STRATEGY INCOME FUND,  
as a Lender

By: THL Credit Advisors LLC, as Investment Manager

By: /s/ Jamie R. Fellows  
Name: Jamie R. Fellows  
Title: Managing Director/Co-Head

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RUSSELL INVESTMENT COMPANY RUSSELL SHORT DURATION BOND FUND,  
as a Lender

By: THL Credit Advisors LLC, as Investment Manager

By: /s/ Jamie R. Fellows  
Name: Jamie R. Fellows  
Title: Managing Director/Co-Head

RUSSELL INVESTMENT COMPANY UNCONSTRAINED TOTAL RETURN FUND,  
as a Lender

By: THL Credit Advisors LLC, as Investment Manager

By: /s/ Jamie R. Fellows  
Name: Jamie R. Fellows  
Title: Managing Director/Co-Head

RUSSELL INVESTMENTS GLOBAL UNCONSTRAINED BOND POOL,  
as a Lender

By: THL Credit Advisors LLC, as Investment Manager

By: /s/ Jamie R. Fellows  
Name: Jamie R. Fellows  
Title: Managing Director/Co-Head

RUSSELL INVESTMENTS INSTITUTIONAL FUNDS, LLC MULTI-ASSET CORE  
PLUS FUND,  
as a Lender

By: THL Credit Advisors LLC, as Investment Manager

By: /s/ Jamie R. Fellows  
Name: Jamie R. Fellows  
Title: Managing Director/Co-Head

RUSSELL INVESTMENTS IRELAND LIMITED, on behalf of the Russell Floating Rate  
Fund, a subfund of Russell Qualifying Investor Alternative Investment Funds plc,  
as a Lender

By: THL Credit Advisors LLC, as Investment Manager

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By: /s/ Jamie R. Fellows  
Name: Jamie R. Fellows  
Title: Managing Director/Co-Head

SAEV MASTERFONDS WELLINGTON GLOBAL HIGH YIELD,  
as a Lender

By: Wellington Management Company LLP, as its Investment Advisor

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

SAFETY INSURANCE COMPANY,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Advisor

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

SENIOR DEBT PORTFOLIO,  
as a Lender

By: Boston Management and Research, as Investment Advisor

By: /s/ Michael Brothof  
Name: Michael Brothof  
Title: Vice President

SOCIETE GENERALE,  
as a Lender

By: /s/ Rebecca Zhang  
Name: Rebecca Zhang  
Title: Vice President

SOUND POINT CLO II, LTD,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai  
Name: Alvin Mai

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Title: Operations Associate

SOUND POINT CLO III-R, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Xueying Fernandes

Name: Xueying Fernandes

Title: Authorized Signatory

SOUND POINT CLO IV-R, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai

Name: Alvin Mai

Title: Operations Associate

SOUND POINT CLO IX, LTD.,  
as a Lender

By: /s/ Alvin Mai

Name: Alvin Mai

Title: Operations Associate

SOUND POINT CLO VI, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai

Name: Alvin Mai

Title: Operations Associate

SOUND POINT CLO VII, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai

Name: Alvin Mai

Title: Operations Associate

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SOUND POINT CLO VIII, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai  
Name: Alvin Mai  
Title: Operations Associate

SOUND POINT CLO V-R, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai  
Name: Alvin Mai  
Title: Operations Associate

SOUND POINT CLO X, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai  
Name: Alvin Mai  
Title: Operations Associate

SOUND POINT CLO XI, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai  
Name: Alvin Mai  
Title: Operations Associate

SOUND POINT CLO XII, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai  
Name: Alvin Mai  
Title: Operations Associate

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SOUND POINT CLO XIV, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai  
Name: Alvin Mai  
Title: Operations Associate

SOUND POINT CLO XV, LTD,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai  
Name: Alvin Mai  
Title: Operations Associate

SOUND POINT CLO XVI, LTD.,  
as a Lender

By: Sound Point Capital Management, LP, as Collateral Manager

By: /s/ Alvin Mai  
Name: Alvin Mai  
Title: Operations Associate

STELLE HYFI LOAN FUND,  
as a Lender

By: Credit Suisse Asset Management, LLC, acting by attorney for G.A.S. (Cayman) Limited, in its capacity as trustee of Stelle HYFI Loan Fund, a series trust of Global Multi Strategy

By: /s/ Thomas Flannery  
Name: Thomas Flannery  
Title: Managing Director

BSG FUND MANAGEMENT B.V., on behalf of the Stichting Blue Sky Active Fixed Income US Leveraged Loan Fund,  
as a Lender

By: THL Credit Senior Loan Strategies LLC, as Manager

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By: /s/ James R. Fellows  
Name: James R. Fellows  
Title: Managing Director/Co-Head

STICHTING PENSIOENFONDS HOOGOVS,  
as a Lender

By: THL Credit Advisors LLC, its Asset Manager

By: /s/ James R. Fellows  
Name: James R. Fellows  
Title: Managing Director/Co-Head

SUNAMERICA SENIOR FLOATING RATE FUND, INC-AIG SENIOR FLOATING  
RATE FUND,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Advisor

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

SUNTRUST BANK,  
as a Lender

By: /s/ Jonathan Hart  
Name: Jonathan Hart  
Title: Vice President

SWISS CAPITAL ALTERNATIVE STRATEGIES FUNDS SPC, for the Account of SC  
Alternative Strategy 9SP,  
as a Lender

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

SWISS CAPITAL PRO LOAN V PLC,  
as a Lender

By: /s/ Gretchen Bergstresser  
Name: Gretchen Bergstresser  
Title: Senior Portfolio Manager

TD BANK, N.A.,  
as a Lender

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By: /s/ Shreya Shah  
Name: Shreya Shah  
Title: Senior Vice President

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF KENTUCKY,  
as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

THE HARTFORD SHORT DURATION FUND,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

THE HARTFORD STRATEGIC INCOME FUND,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

THE WESTERN AND SOUTHERN LIFE INSURANCE COMPANY,  
as a Lender

By: /s/ Bernie M. Casey  
Name: Bernie M. Casey  
Title: AVP & Senior Credit Analyst

THL CREDIT BANK LOAN SELECET MASTER FUND,  
a class of The THL Credit Bank Loan Select Series Trust I,  
as a Lender

By: THL Credit Senior Loan Strategies LLC, as Investment Manager

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By: /s/ James R. Fellows  
Name: James R. Fellows  
Title: Managing Director/Co-Head

TICP CLO I-2, LTD.,  
as a Lender

By: TICP CLO I Management, LLC, its Collateral Manager

By: /s/ Daniel Wanek  
Name: Daniel Wanek  
Title: Vice President

TICP CLO VII, LTD,  
as a Lender

By: TICP CLO VII Management, LLC, its Collateral Manager

By: /s/ Daniel Wanek  
Name: Daniel Wanek  
Title: Vice President

TRINITAS CLO VI, LTD.,  
as a Lender

By: /s/ Gibran Mahmud  
Name: Gibran Mahmud  
Title: Chief Investment Officer

U.S. BANK NATIONAL ASSOCIATION,  
as a Lender

By: /s/ Ken Gorski  
Name: Ken Gorski  
Title: Vice President

UNION BANK & TRUST,  
as a Lender

By: /s/ Ian Batt  
Name: Ian Batt  
Title: Vice President

UNITEDHEALTHCARE INSURANCE COMPANY,  
as a Lender

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By: BlackRock Financial Management Inc., its Investment Manager

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

US OPPORTUNISTIC FLOATING RATE INCOME MASTER FUND LIMITED,  
as a Lender

By: BlackRock Financial Management Inc., its Sub-Advisor

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

UTICA MUTUAL INSURANCE COMPANY,  
as a Lender

By: Wellington Management Company LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

WELLFLEET CLO 2016-1, LTD.,  
as a Lender

By: /s/ Dennis Talley  
Name: Dennis Talley  
Title: Portfolio Manager

WELLFLEET CLO 2017-1, LTD.,  
as a Lender

By: Wellfleet Credit Partners, LLC, as Collateral Manager

By: /s/ Dennis Talley  
Name: Dennis Talley  
Title: Portfolio Manager

WELLINGTON MULTI-SECTOR CREDIT FUND,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Adviser

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By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

WELLINGTON TRUST COMPANY, NATIONAL ASSOCIATION MULTIPLE  
COMMON TRUST FUNDS TRUST- OPPORTUNISTIC FIXED INCOME ALLOCATION  
PORTFOLIO,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

WELLINGTON TRUST COMPANY, NATIONAL ASSOCIATION MULTIPLE  
COLLECTIVE INVESTMENT FUNDS TRUST II MULTI-SECTOR CREDIT II  
PORTFOLIO,  
as a Lender

By: Wellington Management Company LLP, as its Investment Advisor

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

WELLINGTON TRUST COMPANY, NATIONAL ASSOCIATION MULTIPLE  
COMMON TRUST FUNDS TRUST OPPORTUNISTIC INFLATION SENSITIVE BOND  
PORTFOLIO,  
as a Lender

By: Wellington Management Company LLP, as its Investment Advisor

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

WELLMARK, INC.,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Advisor

By: /s/ Donna Sirianni

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Name: Donna Sirianni  
Title: Vice President

WELLS FARGO BANK, N.A.,  
as a Lender

By: /s/ Brian Buck  
Name: Brian Buck  
Title: Managing Director

WESPATH FUNDS TRUST,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Advisor

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

WM POOL - FIXED INTEREST TRUST NO. 7,  
as a Lender

By: Shenkman Capital Management, Inc., as Investment Manager

By: /s/ Dov Braun  
Name: Dov Braun  
Title: CFO

WORKERS COMPENSATION FUND,  
as a Lender

By: Wellington Management Company, LLP, as its Investment Adviser

By: /s/ Donna Sirianni  
Name: Donna Sirianni  
Title: Vice President

ZURICH AMERICAN LIFE INSURANCE COMPANY,  
as a Lender

By: BlackRock Financial Management Inc., its Investment Advisor

By: /s/ Gina Forziati  
Name: Gina Forziati  
Title: Authorized Signatory

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SCHEDULE 2.01

AMENDMENTS TO COMMITMENTS AND APPLICABLE PERCENTAGES

<b>Lender</b>	<b>Term B-4 Loan Commitment</b>	<b>Applicable Percentage of Term B-4 Loan Commitment</b>
Bank of America, N.A.	\$500,000,000.00	100.000000000%
<b>Total:</b>	<b>\$500,000,000.00</b>	<b>100.000000000%</b>

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EXHIBIT B-8

FORM OF TERM B-4 NOTE

FOR VALUE RECEIVED, the undersigned hereby promises to pay to \_\_\_\_\_ or its registered assigns (the "Lender"), in accordance with the provisions of the Credit Agreement (as hereinafter defined), the principal amount of the portion of the Term B-4 Loan from time to time made by the Lender to Global Payments Inc., a Georgia corporation (the "Company"), under that certain Second Amended and Restated Credit Agreement, dated as of July 31, 2015 (as amended, restated, extended, supplemented or otherwise modified in writing from time to time, the "Credit Agreement"; the terms defined therein being used herein as therein defined), among the Company, certain other Borrowers from time to time party thereto, the Lenders from time to time party thereto, and Bank of America, N.A., as Administrative Agent, Swing Line Lender and L/C Issuer.

The undersigned promises to pay interest on the unpaid principal amount of the portion of the Term B-4 Loan from the date of the Term B-4 Loan until such principal amount is paid in full, at such interest rates and at such times as provided in the Credit Agreement. All payments of principal and interest shall be made to the Administrative Agent for the account of the Lender in Dollars in immediately available funds at the Administrative Agent's Office. If any amount is not paid in full when due hereunder, such unpaid amount shall bear interest, to be paid upon demand, from the due date thereof until the date of actual payment (and before as well as after judgment) computed at the per annum rate set forth in the Credit Agreement.

This Term B-4 Note is one of the Term B-4 Notes referred to in the Credit Agreement, is entitled to the benefits thereof and may be prepaid in whole or in part subject to the terms and conditions provided therein. This Term B-4 Note is also entitled to the benefits of the Subsidiary Guaranty. Upon the occurrence and continuation of one or more of the Events of Default specified in the Credit Agreement, all amounts then remaining unpaid on this Term B-4 Note shall become, or may be declared to be, immediately due and payable all as provided in the Credit Agreement. The portion of the Term B-4 Loan made by the Lender shall be evidenced by one or more loan accounts or records maintained by the Lender in the ordinary course of business. The Lender may also attach schedules to this Term B-4 Note and endorse thereon the date, amount and maturity of the Term B-4 Loan and payments with respect thereto.

The undersigned, for itself, its successors and assigns, hereby waives diligence, presentment, protest and demand and notice of protest, demand, dishonor and non-payment of this Term B-4 Note.

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THIS TERM B-4 NOTE SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

GLOBAL PAYMENTS, INC.,  
a Georgia corporation

By:  
Name:  
Title:

## LIST OF SUBSIDIARIES

NAME	JURISDICTION OF ORGANIZATION
Comercia Global Payments Entidad de Pago, S.L.	Spain <sup>(1)</sup>
Global Payments Direct, Inc.	New York
Global Payments Gaming Services, Inc.	Illinois
GPUK LLP	United Kingdom
Heartland Payment Systems, LLC	Delaware
TouchNet Information Systems, Inc.	Kansas

<sup>(1)</sup> *Comercia Global Payments Entidad de Pago, S.L. has a shareholder unrelated to Global Payments Inc. that owns a 49% noncontrolling interest.*

*\* This list omits subsidiaries, which, considered in the aggregate as of the Company's most recently completed year, would not constitute a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X.*

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-169436 and 333-177026 on Form S-8 and Registration Statement No. 333-220380 on Form S-3 of our reports dated February 21, 2019, relating to (1) the consolidated financial statements and financial statement schedule of Global Payments Inc. and subsidiaries (the "Company") (which report expresses an unqualified opinion and includes an emphasis of a matter paragraph regarding to the Company changing its fiscal year end from May 31 to December 31, in 2016, and an explanatory paragraph regarding the Company's change in its method of accounting for revenue from contracts with customers in fiscal year 2018), and (2) the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of the Company for the year ended December 31, 2018.

/s/ DELOITTE & TOUCHE LLP

Atlanta, Georgia  
February 21, 2019

## POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the person whose signature appears below hereby constitutes and appoints Jeffrey S. Sloan his or her attorney-in-fact and agent, with full power of substitution and resubstitution in any and all capacities, to sign the Annual Report on Form 10-K of Global Payments Inc. for the year ended December 31, 2018, and any amendment thereto, and to file the same, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto such attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary in connection with such matters and hereby ratifying and confirming all that such attorney-in-fact and agent or his substitute or substitutes may do or cause to be done by virtue hereof.

/s/ William I Jacobs Chairman of the Board  
William I Jacobs

/s/ Robert H.B. Baldwin, Jr. Director  
Robert H.B. Baldwin, Jr.

/s/ John G. Bruno Director  
John G. Bruno

/s/ Mitchell L. Hollin Director  
Mitchell L. Hollin

/s/ Ruth Ann Marshall Director  
Ruth Ann Marshall

/s/ John M. Partridge Director  
John M. Partridge

/s/ William B. Plummer Director  
William B. Plummer

/s/ Alan M. Silberstein Director  
Alan M. Silberstein

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey S. Sloan, certify that:

1. I have reviewed this Annual Report on Form 10-K of Global Payments Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2019

By: /s/ Jeffrey S. Sloan

Jeffrey S. Sloan  
Principal Executive Officer

**CERTIFICATION PURSUANT TO  
RULE 13a-14(a) OF THE SECURITIES EXCHANGE ACT OF 1934,  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Cameron M. Bready, certify that:

1. I have reviewed this Annual Report on Form 10-K of Global Payments Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 21, 2019

By: /s/ Cameron M. Bready

Cameron M. Bready  
Principal Financial Officer



**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
§ 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Global Payments Inc. on Form 10-K for the year ended December 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jeffrey S. Sloan and Cameron M. Bready certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Global Payments Inc.

/s/ Jeffrey S. Sloan

**Jeffrey S. Sloan  
Principal Executive Officer  
Global Payments Inc.**

**February 21, 2019**

/s/ Cameron M. Bready

**Cameron M. Bready  
Principal Financial Officer  
Global Payments Inc.**

**February 21, 2019**

A signed original of this written statement required by Section 906 has been provided to Global Payments Inc. and will be retained by Global Payments Inc. and furnished to the Securities and Exchange Commission upon request.