GLOBAL PAYMENTS INC
Form 10-K
July 28, 2016
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended May 31, 2016
OR
o 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 | 58-2567903 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

| | |
|---|---|
| 10 Glenlake Parkway, North Tower, Atlanta, Georgia | 30328-3473 |
| (Address of principal executive offices) | (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 | Name of each exchange on which registered |
|---|---|
| Common Stock, No Par Value | 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 x No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes o No x
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 x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes x No o
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. o
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” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer x    Accelerated filer o
Non-accelerated filer o    Smaller reporting company o
(Do not check if a smaller reporting company)

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

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 $9,112,999,702.

The number of shares of the registrant's common stock outstanding at July 26, 2016 was 153,630,063 shares.

DOCUMENTS INCORPORATED BY REFERENCE

Specifically identified portions of the registrant's proxy statement for the 2016 annual meeting of shareholders are incorporated by reference in Part III.

GLOBAL PAYMENTS INC.
2016 FORM 10-K ANNUAL REPORT

Table of Contents

## 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.

We believe that it is important to communicate our plans for and expectations about the future to our shareholders and to the public. 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; and the successful integration of 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; 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 the Heartland Payment Systems, Inc. business or fully realizing cost savings and other benefits of the acquisition at all or within the expected time period; 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.

3

Table of Contents

# PART I

## ITEM 1- BUSINESS

### Introduction

We are a leading worldwide provider of payment technology services delivering innovative solutions to our customers globally. Our technologies, partnerships and employee expertise enable us to provide a broad range of services that allow our customers to accept various payment types. We distribute our services across a variety of channels to merchants and partners in 30 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 in 2001, we have grown our annual revenues from $353 million to $2.9 billion, through internal expansion of existing operations and through acquisitions. We recently completed our largest business combination to date when we merged with Heartland Payment Systems, Inc. ("Heartland") in April 2016.

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."

### Merger with Heartland

On April 22, 2016, following the approval of Heartland’s stockholders, we completed our merger with Heartland in a transaction valued at $4.4 billion, including assumed debt of $0.4 billion. As a result, Heartland became a wholly owned subsidiary of Global Payments Inc. Prior to the merger, Heartland was one of the largest payment services companies in the United States, delivering merchant acquiring services and offering integrated commerce, point-of-sale ("POS"), omnichannel, marketing, payroll and other solutions that are highly complementary to the services offered by Global Payments. The merger significantly expanded our small and medium-sized enterprise distribution, merchant base and vertical reach in the United States, adding a 1,400-person direct sales force, over 300,000 merchants and $130 billion in annual payments volume. We intend to leverage our scalable, worldwide infrastructure to drive revenue enhancements and technological and operational synergies. See "Note 2 - Acquisitions" in the notes to the accompanying consolidated financial statements for further discussion of our merger with Heartland.

Our consolidated statements of income, comprehensive income, cash flows and changes in equity presented in the accompanying consolidated financial statements include the results of Heartland for the period from the acquisition date through May 31, 2016.

On February 26, 2016, we amended our existing credit facilities to provide for secured financing of up to $4.78 billion, the incremental proceeds of which were used, among other things, to repay certain portions of Heartland’s existing indebtedness and to finance, in part, the cash consideration and the merger-related costs. See "Liquidity and Capital Resources-Long-Term Debt and Credit Facilities" below for further discussion of our credit facilities.

### Merchant Services Overview

Our payment solutions are similar around the world in that we enable our merchant customers to accept card, electronic, check and digital-based payments at the point of sale. Our comprehensive offerings include, but are not limited to, authorization services, settlement and funding services, customer support and help-desk functions, chargeback resolution, terminal sales and deployment, payment security services, consolidated billing and statements and on-line reporting. Our value proposition is to provide high-quality, responsive, secure, end-to-end service to all of our customers. We distribute our services through multiple channels and target customers in many vertical industries in 30 countries located throughout North America, Europe, the Asia-Pacific region and Brazil. The majority of merchant services 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 other fees based on specific services that may be unrelated to the number or value of transactions.

Table of Contents

Direct Distribution

Our primary business model is to actively market and provide our payment services directly to merchants through a variety of distribution channels. We offer high touch services that provide our merchants with reliable and secure payment solutions coupled with high quality and responsive support services. Through our direct sales force worldwide, as well as bank partnerships, referral partners and our agent network, we offer rapid merchant boarding, high availability and secure payment acceptance and payment services, risk, fraud and chargeback management, reporting and analytics services, support services and other ancillary services. 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 designed to enable merchants to better manage their businesses. Our primary technology-enabled solutions include integrated payment solutions, ecommerce and omnichannel and gaming solutions, each as described below.

Integrated Payment Solutions. Our integrated payment 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 and 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 more than 2,000 technology partners across over 60 different verticals primarily in North America. OpenEdge enables third-party application developers to incorporate payment innovations into their enterprise business solutions.

- Ezidebit. Through Ezidebit, we offer integrated payment 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.

- Education Solutions. In North America, 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 and open- and closed-loop payment solutions. For kindergarten through 12th grade, we provide ecommerce and in-person payments, cafeteria POS solutions and back-office management software, hardware, technical support and training.

- Point-of-Sale Solutions. We offer leading-edge POS software solutions, integrated with our payment services and other adjacent business service applications, which may be on-premise or cloud-based, targeted primarily at the hospitality and retail verticals.

Ecommerce and Omnichannel. We offer ecommerce and omnichannel solutions to our customers that seamlessly blend payment gateway services, retail payment acceptance infrastructure and merchant acquiring capabilities 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 through a website in a single 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 so that gaming establishments can 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 a third-party sales group selling merchant acquiring services directly to end user merchant customers. We also provide merchant services (but not funds settlement services) to merchants indirectly through financial institutions and a limited number of ISOs, whereby the financial institution or the ISO is our customer.

Table of Contents

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 merchant acquirers, such as Global Payments, to facilitate transaction processing. A merchant acquirer performs a series of 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 a Merchant Service Provider by MasterCard and as an ISO by Visa. To be designated as a certified processor, member clearing banks ("Member") 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 by one of a number of services that we offer directly or through a VAR. The card reader electronically records sales draft information, such as the card identification number, transaction date and value of the goods or services purchased.

After the card and transaction information is captured by the card reader, the terminal 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 value 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 sufficient funds for the transaction value.

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 bill. 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, or discount, to cover the full amount of the interchange fee and our net revenue from the transaction. If our discount rate for the merchant in the above example was 2.00%, we would bill the merchant $2.00 at the end of the month for the transaction, reimburse ourselves for $1.50 in interchange fees and retain $0.50 or 0.50% as our net revenue for the transaction. 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 net revenue 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 net revenue less operating expenses, including assessments and other network fees, systems cost to process the transaction and commissions paid to our sales force or ISO. Assessments are fees charged by the card brands based on the value of transactions processed through their networks.

Table of Contents

## Business Segments

We operate in three reportable segments: North America, Europe and Asia-Pacific. See "Note 15 - Segment Information" in the notes to the accompanying consolidated financial statements for additional information about our segments, including revenues, operating income or loss and depreciation and amortization by segment as well as financial information about geographic areas in which we operate. 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 70.8% of our total consolidated fiscal 2016 revenues were derived from our operations in North America, which include the United States and Canada.

Our primary mode of distribution in North America is our direct distribution channels, including our direct sales force. With the addition of the Heartland sales professionals, we now have an extensive direct sales force in North America selling our services across numerous different vertical markets, including restaurant, hospitality retail, convenience stores and petroleum, professional services, automotive and lodging.

In addition, our technology-enabled solutions represented a substantial component of our consolidated fiscal 2016 direct sales revenues in North America. Our technology-enabled distribution in North America primarily includes integrated payment solutions, as well as our gaming solutions business.

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 21.8% of our total consolidated fiscal 2016 revenues were derived from our operations in Europe, which includes the United Kingdom, the Republic of Ireland, Spain, the Republic of Malta, the Czech Republic, Slovakia and the

Table of Contents

Russian Federation. We have a direct sales force in the United Kingdom, Spain, the Republic of Malta and the Russian Federation through which we primarily sell our direct merchant acquiring services while leveraging our bank referral relationships.

Our ecommerce and omnichannel solutions represent a growing percentage of the services we sell in Europe, fueled in part by our recent acquisition of Realex.

In addition, on June 1, 2016, we completed our joint venture with Erste Group Bank AG, a leading financial services provider in Central and Eastern Europe, which expanded our acquiring services into Romania and provided deeper penetration into the Czech Republic and Slovakia.

Asia-Pacific

Approximately 7.4% of our total consolidated fiscal 2016 revenues were derived from our operations in the Asia-Pacific region, which includes the following countries and territories: Australia, Brunei, 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.

Primarily as a result of our acquisition of Ezidebit in October 2014, technology-enabled solutions represent a substantial and growing portion of our operations in the Asia-Pacific region. We also expect our acquisition of eWay in March 2016 will allow us to further expand our ecommerce and omnichannel solutions offering in this region.

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 merchant acquirer 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, Moneris Solutions Corporation (a joint venture between the Bank of Montreal and the Royal Bank of Canada), Vantiv Inc. and Wells Fargo Bank, N.A. 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 merchant acquiring payment services to merchants, although the outsourcing of these services to third-party service providers is becoming more prevalent. Merchant acquiring 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 Barclays Bank PLC, Spanish banking institutions and WorldPay (UK) Limited. Financial institutions that offer merchant acquiring services are our primary competitors in Asia-Pacific.

Emerging Trends

The payments industry continues to grow globally and as a result, several large merchant acquirers, including us, have expanded operations globally by pursuing acquisitions and creating alliances and joint ventures. We believe that the electronic payment services industry will continue to consolidate as banks and independent processors that lack the necessary infrastructure, scale and ability to invest look to exit the business.

We believe that payment technology transactions and services will continue to grow in the future and that an increasing percentage of these transactions will be processed through emerging technologies. We provide innovative technology-based solutions to help our merchants and partners simplify the payments process, regardless of the channel through which the transaction occurs. We have also launched a suite of security services that provide POS, point-to-point encryption, tokenization services, Payment Card Industry Data Security Standard ("PCI DSS") merchant assistance, real-time fraud protection and other services to enhance and simplify security for all merchants and partners. We continue to expand our forms of payments acceptance

Table of Contents

supporting radio frequency identification for contactless payment cards and near-field communication enabled smartphones that contain mobile wallet software. This allows us to offer customers the ability to accept payments through mobile wallets and the ability for our customers to use a tablet or other mobile device as a POS terminal. As mobile payments continue to evolve, we intend to continue partnering and developing new services that will leverage the benefits that these new technologies can offer our customers.

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

Our key objectives include the following:

- Grow and control our direct distribution by adding new channels and partners;
- 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 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 GDP 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 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.

- Scalable Operating Environment and Technology Infrastructure - We operate our company 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.

Table of Contents

- Disciplined Acquisition Approach - Our proven track record for selectively and successfully sourcing, completing and integrating acquisitions in existing and new markets positions us well for future growth and as an attractive partner for potential acquisition targets.

Safeguarding Our Business

Privacy and security are central to our service. We work with information security and forensics firms and employ advanced technologies to prevent, investigate and address issues relating to processing system security and availability. We also collaborate with industry third parties, regulators and law enforcement to resolve security incidents and assist in efforts to prevent unauthorized access to our processing systems.

Employees and Labor

As of May 31, 2016, we had approximately 8,995 employees, many of whom are highly skilled in technical areas specific to payment technology services.

Regulation

Various aspects of our business are subject to regulation and supervision under federal, state and local laws in the United States, as well as foreign laws, regulations and rules. In addition, we are subject to rules promulgated by the various payment networks, including Visa, MasterCard, Discover, American Express, UPI and Interac; the Payment Services Directive in Europe; as well as a variety of other regulations, including escheat laws and applicable privacy and information security regulations. 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.

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 the Company's results of operations.

In addition, the Dodd-Frank Act limits the ability of payment card networks to impose certain restrictions. First, it allows merchants to 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). Second, it allows merchants to 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. We do not expect the prohibition on network exclusivity to significantly affect our ability to pass on network fees and other costs to our customers.

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. The Company may be subject to additional systemic risk-related oversight.

Table of Contents

Payment Network Rules

We are subject to the rules of MasterCard, Visa, Discover, UPI, Interac and other payment networks. In order to provide our transaction processing services, several of our subsidiaries are registered with MasterCard and Visa as service providers for member institutions and with 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 the 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 Bureau of Consumer Financial Protection. 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 Directive 2007/64/EC in the European Union (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 and Information Security Laws

We provide services that may be subject to various state, federal and foreign privacy laws and regulations. These laws and regulations 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. We are also subject to a variety of foreign data protection and privacy laws, including, without limitation, Directive 95/46/EC, as implemented in each member state of the European Union.  Among other things, these foreign and domestic laws, and their implementing regulations, in certain cases restrict 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.  These laws also impose requirements for safeguarding and removal or elimination of personal information.

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 electronic payments industry in each of the foreign countries in which we operate. Some of these countries, such as the Russian Federation and Spain, 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.

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. We have procedures in place to comply with the requirements of these laws.

Where to Find More Information

We file annual and quarterly reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the "SEC"). You may read and print materials that we have filed with the SEC from its website at www.sec.gov. In addition, certain of our SEC filings, including our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K and amendments to them can be viewed and printed from the investor relations section of our website at www.globalpaymentsinc.com free of charge. 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 ("this Annual Report"). You may also telephone our investor relations office directly at (770) 829-8991. We are not including the information on our website as a part of, or incorporating it by reference into, this Annual Report.

Our SEC filings may also be viewed and copied at the following SEC public reference room and at the offices of the New York Stock Exchange.

SEC Public Reference Room
100 F Street, N.E.
Washington, DC 20549
(You may call the SEC at 1-800-SEC-0330 for further information on the public reference room.)

NYSE Euronext
20 Broad Street
New York, NY 10005

Table of Contents

## 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 merchant clients and cardholders 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 merchants, ISOs, third-party service providers to whom we outsource certain functions, and other agents (which we refer to collectively as our "associated third parties"). We have responsibility to the card networks and their member financial institutions for our failure or the failure of our associated third parties to protect this information.

While plans and procedures are in place to protect the sensitive data we collect, we cannot be certain that these measures will be successful and will be sufficient to counter all current and emerging technology threats that are designed to breach our systems in order to gain access to confidential information.

Our computer systems and our associated third parties’ computer systems have been, and could be in the future, 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. 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, or may result from accidental technological failure. Computer viruses 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 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.

We could also be subject to liability for claims relating to misuse of personal information in violation of contractual obligations or data privacy laws. We cannot provide assurance that the contractual requirements related to security and privacy that we impose on our service providers who have access to this data will be followed or will be adequate to prevent the misuse of this data. Any misuse 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.

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 unbudgeted or uninsured liability, disrupt our operations (including potential service interruptions), distract our management, increase our risk of 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 and financial institution sponsorship. Our removal from networks' lists of PCI DSS 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.

Table of Contents

The payment processing 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 in our market with respect to the pricing of services offered to our customers and the ability to develop new technologies.

We operate in the electronic payments market, which is highly competitive. In this market, 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 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 which 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 non-traditional competitors, including new entrant technology companies who offer certain innovations in payment methods. Some of these competitors utilize proprietary software and service solutions. Others partner with traditional merchant acquirers to provide tablet-based solutions with payment processing services. Some of these non-traditional competitors have significant financial resources and robust networks and are highly regarded by consumers. In addition, some non-traditional 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 non-traditional 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 electronic payments markets 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 electronic payments industry. These projects carry the risks associated with any development effort, including cost overruns, delays in delivery and performance problems. In the electronic payments markets, these risks are even more acute. Any delay in the delivery of new services or the failure to differentiate our services could render them less desirable to our 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 electronic payments 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 revenue and earnings if promised new services are not delivered 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 registration and 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 participant or be registered as a merchant processor or service provider of Visa and MasterCard. Registration as a merchant processor or service provider is dependent upon our being sponsored by Members of each organization. If our sponsor banks 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, which would negatively affect our revenues and earnings. Furthermore, some agreements with our bank sponsors give them substantial discretion in approving certain aspects of our business practices, including our solicitation,

Table of Contents

application and qualification procedures for merchants and the terms of our agreements with merchants. Our bank 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 revenue and earnings.

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. If our merchants or ISOs incur fines or penalties 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. The termination of our registrations 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, operating results, financial condition 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 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 and 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. 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 sophisticated 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.

Table of Contents

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 of 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 electronic transaction payment processing 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 electronic payments markets, we may not be able to continue to grow our revenues and earnings.

There may be a decline in the use of cards 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 as a payment mechanism for their transactions or if there is a change in the mix of payments between cash, 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.

We incur chargeback liability when our merchants refuse or cannot reimburse chargebacks resolved in favor of their customers. Any increase in chargebacks not paid by our merchants may adversely affect our results of operations, financial condition 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 operating results, financial condition 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 liability 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 operating results, financial condition 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 electronic payments 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 of their services using electronic payments or people spend less per transaction, we will have fewer transactions to process at lower amounts, resulting in 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 credit 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 do 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 increasing 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

Table of Contents

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.

Interchange fees (which are typically paid by the acquirer to the issuer in connection with transactions) are subject to increasingly 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 restrictions could negatively affect the number of debit transactions, which would adversely affect our business. The Dodd-Frank Act also created the Consumer Financial Protection Bureau (the "CFPB"), which has assumed responsibility for most 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 banks with their obligation to comply with any-money laundering requirements that apply to them. In addition, we and our sponsor banks are subject to the laws and regulations enforced by the Office of Foreign Assets Control ("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.

On July 26, 2011, the Financial Crimes Enforcement Network of the U.S. Department of the Treasury, or FinCEN, issued a final rule regarding the applicability of the Bank Secrecy Act's regulations to "prepaid access" products and services. This rulemaking clarifies the anti-money laundering obligations for entities engaged in the provision and sale of prepaid services such as prepaid cards. This rule increases our regulatory risks and, as with other regulatory requirements, violations of the rule could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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.

Table of Contents

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 operating results, financial condition 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 accrues 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 foreign 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 currency 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 foreign currency exchange rates through the use of hedging arrangements. To the extent that we hedge our interest rate or foreign currency exchange rate exposures, we forgo the benefits we would otherwise experience if interest rates or foreign 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. Finally, our interest rate and currency exchange rate risk management activities could expose us to substantial losses if such rates move materially differently from our expectations.

We conduct a portion of our business in various European and Asia-Pacific countries, including the Russian Federation, 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 into various countries in Europe and the Asia-Pacific region. Some of these countries, and other foreign countries in which we operate, such as the Russian Federation 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; 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.

In addition, transfer of certain types of data by electronic means and telecommunications is subject to specific regulation in many countries. Although these regulations have not had a material effect on us to date, changes in these regulations, including taxation or limitations on transfers of data between countries, 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." The referendum has caused, and may continue to cause, volatility in global stock markets and currency exchange rate fluctuations, resulting in a decline in the value of the British pound relative to the U.S. dollar. In addition, it is expected that the British government will begin negotiating the terms of the United Kingdom’s future relationship with the European Union. Although it is not known what those terms will be, it is possible that there will be increased regulatory complexities, including without limitation regulation relating to data security, privacy, and taxation. These changes may adversely affect our operations and financial results.

The integration and conversion of our acquired operations, including Heartland in particular, or other future acquisitions, if any, could result in increased operating costs if the anticipated synergies of operating both 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, including Heartland in particular, 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, 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 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 a loss of 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 electronic payments markets; and
- The costs related to the integration of the acquired company’s business and operations into ours and the financing of the transaction 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 competitive to us. 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 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

Table of Contents

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 time consuming and expensive to defend and could result in the diversion of the time and attention of our management and employees.

Unfavorable resolution of tax contingencies or changes to enacted tax rates could adversely affect our tax expense.

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. 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 cost less 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 record deferred income taxes to reflect the effect of temporary differences between the amounts of assets and liabilities for financial accounting and income tax purposes. Deferred income taxes are determined using enacted tax rates. Changes in enacted tax rates may negatively affect our results of operations.

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

As a payment processing company we are or may be subject to taxation by various jurisdictions on our net income or certain portions of our fees charged to customers for our services. Application of these taxes is an emerging issue in our industry and the taxing authorities have not yet all adopted uniform regulations on this topic. If we are required to pay such taxes and are not able to pass the tax expense through to our merchant customers, our costs will increase, reducing our earnings.

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.

We have increased our indebtedness to finance the acquisition of Heartland, which could adversely affect us, including by decreasing our business flexibility.

We have incurred significant indebtedness, including without limitation approximately $4.78 billion of secured financing in connection with the Heartland transaction, which we used to fund the cash consideration for the Heartland transaction, repay certain of Heartland’s indebtedness and pay related fees and expenses. Our increased 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 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.

Table of Contents

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 facilities contain 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;
- pay dividends and repurchase shares of our common stock.

Our credit facilities also contain customary financial covenants based on our leverage ratio and our fixed charge 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, permit the lenders to cease making loans to us. Upon the occurrence of an event of default under our credit facilities, the lenders could elect to declare all amounts outstanding under our credit facilities to be immediately due and payable and terminate all commitments to extend further credit. Such actions by those lenders could cause cross defaults under certain of our other indebtedness. If we are unable to repay those amounts, the lenders under our credit facilities could accelerate the repayment of borrowings, and we may not have sufficient assets to repay our credit facilities as well as our other 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 significant portion of these assets would 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 67.5% of the total assets on our balance sheet as of May 31, 2016. 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 significant portion of 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 shareholders of our common stock, 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 facilities may prohibit us from (i) repurchasing more than $250 million of our common stock in any fiscal 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.

Table of Contents

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 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 fiscal 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, 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 are reasonably likely to be materially affected, by the internal control and procedures of our member sponsors in these markets. In order to mitigate this risk, we have implemented internal controls over financial reporting which monitor the accuracy of the financial data being provided by our member sponsors.

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 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 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.

Table of Contents

## ITEM 2 - PROPERTIES

Our principal facilities in North America are located in Atlanta, Georgia; Jeffersonville, Indiana; Las Vegas, Nevada; Owings Mills, Maryland; Pleasant Grove, Utah; Princeton, New Jersey; 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. At May 31, 2016, we owned three facilities and leased 51 domestic properties and 72 international properties which we use for operational, sales and administrative purposes. We believe that all of our facilities and equipment 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.

Heartland, Heartland's board of directors, Global Payments, Data Merger Sub One, Inc. (a wholly owned subsidiary of Global Payments, which we refer to as "Data Merger Sub One") and Data Merger Sub Two, LLC (a wholly owned subsidiary of Global Payments, which we refer to as "Data Merger Sub Two") were named as defendants in a putative class action lawsuit challenging the proposed merger with Heartland. The suit was filed on January 8, 2016 in the New Jersey Superior Court, Mercer County, Civil Division, and is captioned Kevin Merchant v. Heartland Payment Systems, et al, L-45-16. The complaint alleges, among other things, that the directors of Heartland breached their fiduciary duties to Heartland stockholders by agreeing to sell Heartland for inadequate consideration, agreeing to improper deal protection terms in the merger agreement, failing to properly value Heartland, and filing a materially incomplete registration statement with the Securities and Exchange Commission. In addition, the complaint alleges that Heartland, Global Payments, Merger Sub One, and Merger Sub Two aided and abetted these purported breaches of fiduciary duty. On April 12, 2016, solely to avoid the costs, disruption and distraction of further litigation, and without admitting the validity of any allegations made by the plaintiff, Heartland and Global Payments reached an agreement to settle the suit and entered into a Memorandum of Understanding to document the terms and conditions for settlement of the suit. The proposed settlement is subject to court approval. If the proposed settlement is approved by the court, it will release all claims that were or could have been brought challenging any aspect of the merger with Heartland or the merger agreement related thereto and any disclosure made in connection therewith, under terms that will be disclosed to stockholders before final approval of the proposed settlement. The settlement, if approved, is not expected to have a material adverse effect on our financial position, liquidity, results of operations or cash flows.

Table of Contents

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." The table set forth below provides the intraday high and low sales prices and dividends paid per share of our common stock for the four quarters during fiscal 2016 and 2015. We expect to continue to pay our shareholders a dividend per share, on a quarterly basis, in an amount comparable to the dividends indicated in the table. However, any future determination to pay cash dividends will be at the discretion of our Board of Directors and will depend upon our results of operations, financial condition, capital requirements, compliance with debt covenants and such other factors as the Board of Directors deems relevant.

The amounts presented in the table below have been adjusted to reflect a two-for-one stock split of Global Payments common stock, paid to Global Payments shareholders in the form of a stock dividend on November 2, 2015.

| | High | Low | Dividend Per Share |
|---|---|---|---|
| Fiscal 2016: | | | |
| First Quarter | $59.29 | $50.69 | $ 0.01 |
| Second Quarter | 72.91 | 54.03 | 0.01 |
| Third Quarter | 74.64 | 51.29 | 0.01 |
| Fourth Quarter | 78.30 | 58.11 | 0.01 |
| | | | |
| Fiscal 2015: | | | |
| First Quarter | $37.23 | $33.67 | $ 0.01 |
| Second Quarter | 43.36 | 34.30 | 0.01 |
| Third Quarter | 46.50 | 38.58 | 0.01 |
| Fourth Quarter | 53.03 | 43.84 | 0.01 |

As of July 26, 2016, there were 2,122 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.

Sale of Unregistered Securities

We did not issue any unregistered securities during the year ended May 31, 2016.

Table of Contents

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 five years ended May 31, 2016. The line graph assumes the investment of $100 in our common stock, the Standard & Poor's Information Technology Index and the Standard & Poor's 500 Index on May 31, 2011 and assumes reinvestment of all dividends.

*$100 invested on May 31, 2011 in stock or index, including reinvestment of dividends. Fiscal year ending May 31.


| | Global Payments | S&P 500 | S&P Information Technology |
|---|---|---|---|
| May 31, 2011 | $ 100.00 | $ 100.00 | $ 100.00 |
| May 31, 2012 | 81.90 | 99.59 | 107.57 |
| May 31, 2013 | 92.63 | 126.75 | 123.83 |
| May 31, 2014 | 132.59 | 152.67 | 153.42 |
| May 31, 2015 | 202.06 | 170.69 | 182.29 |
| May 31, 2016 | 300.97 | 173.62 | 187.97 |

Issuer Purchases of Equity Securities

As announced on July 28, 2015, our Board of Directors authorized the additional repurchase of up to $300.0 million of our common stock. Under these and other existing authorizations, we repurchased and retired 2.2 million shares of our common stock at a cost of $135.9 million including commissions, or an average price of $63.17 per share, during the year ended May 31, 2016.

Table of Contents

Information about the shares of our common stock that we repurchased during the quarter ended May 31, 2016 is set forth below:

| Month | Number of Shares Purchased | Average Price per Share | Number of Shares Purchased as Part of Publicly Announced Plans or Programs | Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (in millions) |
|---|---|---|---|---|
| March 2016 | 10,848 | $ 62.32 | 10,848 | |
| April 2016[1] | 567,261 | 73.24 | 567,261 | |
| May 2016 | 5,538 | 71.97 | 5,538 | |
| | 583,647 | $ 73.02 | 583,647 | $ 266.9 |

[1] On April 25, 2016, we entered into an Accelerated Share Repurchase ("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. 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 the shares we repurchased on the open market as set forth in the table above, during the quarter ended May 31, 2016, pursuant to our employee incentive plans, we repurchased 2,555 shares at an average price per share of $68.77 in order to satisfy employees’ tax withholding and payment obligations in connection with the vesting of awards of restricted stock, which we repurchased at fair market value on the vesting date.

Table of Contents

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" included elsewhere in this Annual Report, (iii) the historical consolidated financial statements of Global Payments and the related notes presented in its Annual Report on Form 10-K for the year ended May 31, 2015, and (iv) updated portions of Global Payments' Annual Report on Form 10-K for the year ended May 31, 2015 filed with the SEC in a Current Report on Form 8-K on February 5, 2016 to reflect, for all periods presented, the retrospective effects of a change in reportable segments, the adoption of accounting standards updates and a stock split effected in the form of a dividend paid on November 2, 2015. The income statement data for the years ended May 31, 2016, 2015, and 2014 and the balance sheet data as of May 31, 2016 and 2015 are derived from the audited consolidated financial statements included elsewhere in this Annual Report. The income statement data for fiscal years 2013 and 2012 and the balance sheet data as of May 31, 2014 and 2013 were derived from consolidated financial statements included in our Annual Report on Form 10-K for the year ended May 31, 2014. The balance sheet data as of May 31, 2012 was derived from audited consolidated financial statements included in our Annual Report on Form 10-K for the year ended May 31, 2013. The financial data reflect the retrospective effects of a stock split and the adoption of accounting standard updates as discussed in "Note 1 - Basis of Presentation and Summary of Significant Accounting Policies" of the notes to the accompanying consolidated financial statements.

| | Year Ended May 31, | | | | |
|---|---|---|---|---|---|
| | 2016 | 2015 | 2014 | 2013 | 2012 |
| | (in thousands, except per share data) | | | | |
| Income statement data: | | | | | |
| Revenues | $2,898,150 | $2,773,718 | $2,554,236 | $2,375,923 | $2,203,847 |
| Operating income | 424,944 | 456,597 | 405,499 | 357,213 | 307,349 |
| Net income | 290,217 | 309,115 | 269,952 | 238,713 | 217,566 |
| Net income attributable to Global Payments | 271,666 | 278,040 | 245,286 | 216,125 | 188,161 |
| | | | | | |
| Per share data: | | | | | |
| Basic earnings per share | $2.05 | $2.07 | $1.70 | $1.39 | $1.19 |
| Diluted earnings per share | 2.04 | 2.06 | 1.69 | 1.38 | 1.18 |
| Dividends per share | 0.04 | 0.04 | 0.04 | 0.04 | 0.04 |
| | | | | | |
| Balance sheet data (at year end): | | | | | |
| Total assets | $10,509,952 | $5,779,301 | $4,002,527 | $3,114,025 | $2,665,678 |
| Settlement lines of credit | 378,436 | 592,629 | 440,128 | 187,461 | 215,391 |
| Long-term debt | 4,515,286 | 1,740,067 | 1,390,507 | 960,749 | 312,953 |
| Total equity | 2,877,404 | 863,553 | 1,132,799 | 1,286,607 | 1,445,343 |

The financial data in the table above as of and for the year ended May 31, 2016 reflect the effects of our merger with Heartland and the issuance of new long-term debt, both of which were completed on April 22, 2016. See "Note 2 - Acquisitions" in the notes to the accompanying consolidated financial statements for further discussion of our merger with Heartland.

Operating income, net income, net income attributable to Global Payments and basic and diluted earnings per share in the table above include a credit of $7.0 million (pre-tax) during the year ended May 31, 2014 and charges of $36.8 million (pre-tax) and $84.4 million (pre-tax) for the years ended May 31, 2013 and 2012, respectively, related to a processing system intrusion that occurred in the year ended May 31, 2012.

28

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

The following 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 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" of this Annual Report. See "Cautionary Notice Regarding Forward-Looking Statements" located above "Item 1 - Business."

You should read the following discussion and analysis in conjunction with "Item 6 - Selected Financial Data" and "Item 8 - Financial Statements and Supplementary Data" appearing elsewhere in this Annual Report.

### General

We are a leading worldwide provider of payment technology services delivering innovative solutions to our customers globally. Our technologies, partnerships and employee expertise enable us to provide a broad range of services that allow our customers to accept various payment types. We distribute our services across a variety of channels to merchants and partners in 30 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 in 2001, we have grown our annual revenues from $353 million to $2.9 billion, through internal expansion of existing operations and through acquisitions. In particular, we recently completed our largest business combination to date when we merged with Heartland Payment Systems, Inc. ("Heartland") in April 2016.

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

Our payment solutions are similar around the world in that we enable our merchant customers to accept card, electronic, check and digital-based payments at the point of sale. Our comprehensive offerings include terminal sales and deployment, authorization processing, settlement and funding processing, customer support and help desk functions, chargeback resolution, industry compliance, Payment Card Industry ("PCI") security, consolidated billing and statements and on-line reporting.

The majority of merchant services 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 other fees based on specific services that are unrelated to the number or value of transactions.

Our primary business model is to actively market and provide our payment services directly to merchants through a variety of distribution channels. We offer high touch services that provide our merchants with reliable and secure payment solutions coupled with high quality and responsive support services.

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 processing services through third-party sales groups referred to as independent sales organizations ("ISOs"). The ISOs act as a third-party sales group selling merchant acquiring services, with the majority of Global Payments' ISOs marketing direct merchant acquiring.

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, the Asia-Pacific region and Europe, 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.

Table of Contents

Our business does not have pronounced seasonality in which more than 30% of our revenues occur in one fiscal quarter. However, each geographic channel has somewhat higher and lower quarters given the nature of the portfolio. While there is some variation in seasonality across markets, the first and fourth fiscal quarters are generally the strongest, and the third fiscal quarter tends to be the weakest due to lower volumes processed in the months of January and February.

Executive Overview

We experienced strong business and financial performance around the world during the year ended May 31, 2016 ("fiscal 2016"). Highlights related to our financial condition and results of operations for fiscal 2016 include the following:

- We completed the most significant business combination in our history when we merged with Heartland in April 2016. As a result of the merger, we now have more than 8,500 employees worldwide and service nearly 2.5 million merchants in 30 countries.

- Consolidated revenues increased 4.5% to $2,898.2 million from $2,773.7 million in the year ended May 31, 2015 ("fiscal 2015"), reflecting growth in each of our operating segments and additional revenues from acquired businesses, despite the unfavorable effect of fluctuations in foreign currency exchange rates of $117.0 million.

- Net income attributable to Global Payments was $271.7 million in fiscal 2016 compared to $278.0 million in the prior year primarily as a result of expenses of $51.3 million associated with our merger with Heartland and the unfavorable effect of fluctuations in foreign currency on our operating income of $43.6 million. Diluted earnings per share was $2.04 in fiscal 2016 compared to $2.06 in fiscal 2015.

- We completed a 2-for-1 stock split in the form of a stock dividend, and our split-adjusted share price increased 49% during fiscal 2016, while the S&P 500 was flat.

- We joined the S&P 500 during fiscal 2016. Companies included in the index are selected by the S&P Index Committee, a team of analysts and economists at Standard & Poor's.

Acquisitions

On December 15, 2015, we entered into an Agreement and Plan of Merger (the "Merger Agreement") with Heartland pursuant to which we merged with Heartland on April 22, 2016 in a transaction valued at $4.4 billion, including assumed debt of $0.4 billion. Prior to the merger, Heartland was one of the largest payment services companies in the United States, delivering merchant acquiring services and offering integrated commerce, point-of-sale ("POS"), ecommerce, marketing, payroll and other solutions that are highly complementary to the services offered by Global Payments. The merger significantly expanded our small and medium-sized enterprise distribution, merchant base and vertical reach in the United States, adding a 1,400-person direct sales force, over 300,000 merchants and $130 billion in annual payments volume. We intend to leverage our scalable, worldwide infrastructure to drive revenue enhancements and technological and operational synergies. See "Note 2 - Acquisitions" in the notes to the accompanying consolidated financial statements for further discussion of our merger with Heartland.

In connection with our merger with Heartland, we entered into an amendment to our existing credit facilities to provide for secured financing of up to $4.78 billion, the incremental proceeds of which were used, among other things, to repay certain portions of Heartland’s existing indebtedness and to finance, in part, the cash consideration and the merger-related costs. See "Liquidity and Capital Resources-Long-Term Debt and Credit Facilities" below for further discussion of our credit facilities.

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 approximately 260 gaming client locations, for $237.5 million, funded from borrowings on our revolving credit facility and cash on hand.

Table of Contents

On March 25, 2015, we acquired Pay and Shop Limited for €110.2 million in cash ($118.9 million equivalent as of the acquisition date) funded by borrowings on our revolving credit facility. Pay and Shop Limited, which does business as Realex Payments, is a leading European online payment gateway technology provider based in Dublin, Ireland. This transaction furthers our strategy to provide omni-channel solutions that combine gateway services, payment service provisioning and merchant acquiring across Europe.

On October 10, 2014, we completed the acquisition Ezi Holdings Pty Ltd ("Ezidebit") for AUD302.6 million in cash ($266.0 million equivalent as of the acquisition date). This acquisition was funded by a combination of cash on hand and borrowings on our revolving credit facility. Ezidebit is a leading integrated payments company focused on recurring payments verticals in Australia and New Zealand. Ezidebit markets its services through a network of integrated software vendors and direct channels to numerous vertical markets. We acquired Ezidebit to establish a direct distribution channel in Australia and New Zealand and to further enhance our existing integrated solutions offerings.

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

Visa Europe

Through certain of our subsidiaries in Europe, we were a member and shareholder of Visa Europe Limited ("VE"). The carrying amount of our member interests in VE at May 31, 2016 was approximately €30, the cost of obtaining the membership interests. On June 21, 2016, Visa Inc. ("Visa") acquired all of the membership interests in VE, including ours. In exchange, we received up-front consideration comprised of approximately €33.5 million ($37.7 million equivalent at June 21, 2016) in cash and Series B and C convertible preferred shares whose initial conversion ratio equates to Visa common shares valued at $22.9 million as of June 21, 2016. On the third anniversary of the closing of the acquisition, we will receive €3.1 million ($3.4 million at June 21, 2016) of deferred consideration (plus compounded interest at a rate of 4.0% per annum). The preferred shares will convert into Visa common shares at periodic intervals over a 12-year period. Based on the outcome of potential litigation involving VE in the United Kingdom and elsewhere in Europe, the conversion factor of the preferred shares could be adjusted down such that the number of Visa common shares ultimately received could be as low as zero, and approximately €25.6 million ($28.8 million equivalent at June 21, 2016) of the cash consideration could be refundable.

Results of Operations

Commencing with fiscal 2016, we began reporting based on realigned segments (North America, Europe and Asia-Pacific) due to international investment and a realigned management structure. As a result, we have presented prior year segment data in a manner that conforms to our current year presentation.

Revenues

The majority of merchant services revenues is generated by services priced as a percentage of transaction value or a specified fee per transaction, depending on card type. We also charge other fees based on specific services that are 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.

In direct merchant acquiring, we provide payment services to merchants and fund settlement either directly, in markets where we have direct membership with the payment networks, or through our relationship with a member bank in markets where we are sponsored. Revenues for direct merchant services are recognized in the amount of merchant billing net of interchange. We market our direct merchant 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, which we generally refer to as "direct distribution." We also sell through our ISO channel, where the ISO receives a share of the merchant 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.

In indirect merchant acquiring, the partner, typically a financial institution or an ISO, is our customer. We provide payment services to the indirect customer's merchants, but do not provide sponsorship or funds settlement. We bill the indirect customer fees for transactions and various other services, which are recognized as revenue.

Table of Contents

## 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; assessments and other fees paid to card networks; 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.

### 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; commissions paid to ISOs, 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.

Table of Contents

Fiscal Year Ended May 31, 2016 Compared to Fiscal Year Ended May 31, 2015

The following table sets forth key selected financial data for the years ended May 31, 2016 and 2015, this data as a percentage of total revenues, and the changes between fiscal years in dollars and as a percentage of the prior year amount.

| (dollar amounts in thousands) | 2016 | % of Revenue[1] | 2015 | % of Revenue[1] | Change | % Change |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| North America | $2,052,623 | 70.8 % | $1,968,890 | 71.0 % | $83,733 | 4.3 % |
| Europe | 631,900 | 21.8 % | 615,966 | 22.2 % | 15,934 | 2.6 % |
| Asia-Pacific | 213,627 | 7.4 % | 188,862 | 6.8 % | 24,765 | 13.1 % |
| Total revenues | $2,898,150 | 100.0 % | $2,773,718 | 100.0 % | $124,432 | 4.5 % |
| | | | | | | |
| Consolidated operating expenses: | | | | | | |
| Cost of service | $1,147,639 | 39.6 % | $1,022,107 | 36.8 % | $125,532 | 12.3 % |
| Selling, general and administrative | 1,325,567 | 45.7 % | 1,295,014 | 46.7 % | 30,553 | 2.4 % |
| Operating expenses | $2,473,206 | 85.3 % | $2,317,121 | 83.5 % | $156,085 | 6.7 % |
| | | | | | | |
| Operating income (loss): | | | | | | |
| North America | $307,626 | | $293,139 | | $14,487 | 4.9 % |
| Europe | 244,837 | | 240,014 | | 4,823 | 2.0 % |
| Asia-Pacific | 50,743 | | 39,697 | | 11,046 | 27.8 % |
| Corporate | (178,262 ) | | (116,253 ) | | (62,009 ) | 53.3 % |
| Operating income | $424,944 | 14.7 % | $456,597 | 16.5 % | $(31,653 ) | (6.9 )% |
| | | | | | | |
| Operating margin: | | | | | | |
| North America | 15.0 % | | 14.9 % | | 0.1 % | |
| Europe | 38.7 % | | 39.0 % | | (0.3 )% | |
| Asia-Pacific | 23.8 % | | 21.0 % | | 2.8 % | |

[1] Percentage amounts may not sum to the total due to rounding.

Revenues

For fiscal 2016, revenues increased 4.5% to $2,898.2 million compared to the prior year, reflecting growth in each of our operating segments, in spite of the unfavorable effect of fluctuations in foreign currency exchange rates. For the year ended May 31, 2016, currency exchange rate fluctuations reduced our revenues by $117.0 million compared to the prior year, calculated by converting fiscal 2016 revenues in local currency using fiscal 2015 exchange rates.

North America Segment. For fiscal 2016, revenues from our North America segment increased by $83.7 million, or 4.3%, compared to the prior year to $2,052.6 million. The increase was due to growth of $124.4 million, primarily in our U.S. business, partially offset by the unfavorable effect of currency fluctuations in Canada of $40.7 million. The growth in revenue included additional revenues from our merger with Heartland and the acquisition of the FIS Gaming Business as well as organic growth in our direct distribution business.

Europe Segment. For fiscal 2016, Europe revenues increased by $15.9 million, or 2.6%, compared to the prior year to $631.9 million. The increase reflects revenue growth in local currencies, generally due to an increase in the number of card transactions and volume growth in the United Kingdom and Spain, partially offset by the unfavorable effect of currency fluctuations in Europe of $62.6 million.

Table of Contents

Asia-Pacific Segment. For fiscal 2016, Asia-Pacific revenues increased by $24.8 million, or 13.1%, compared to the prior year to $213.6 million. The increase was primarily due to additional revenues of $29.6 million associated with recent acquisitions and organic growth, partially offset by the unfavorable effect of currency fluctuations.

Operating Expenses

Cost of Service. Cost of service increased by 12.3% to $1,147.6 million during fiscal 2016 compared to the prior year. As a percentage of revenues, cost of service increased to 39.6% for fiscal year 2016 compared to 36.8% in the prior year. The increase in cost of service for fiscal 2016 was driven primarily by an increase in the variable costs associated with our revenue growth. The increase in cost of service as a percentage of revenues is due to additional intangible asset amortization of $41.1 million related to acquisitions.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased by 2.4% to $1,325.6 million during fiscal 2016 compared to the prior year. As a percentage of revenues, selling, general and administrative expenses decreased to 45.7% for fiscal year 2016 from 46.7% in the prior year. The increase in selling, general and administrative expenses for fiscal 2016 was due to additional costs to support the growth of our business, including expenses of $51.3 million associated with our merger with Heartland.

Operating Income and Operating Margin for Segments

North America Segment. Operating income in our North America segment increased by 4.9% to $307.6 million for fiscal 2016 compared to the prior year despite the effect of unfavorable currency fluctuations of $20.5 million. The operating margin was 15.0% and 14.9% for the fiscal years 2016 and 2015, respectively. The increase in operating income was primarily due to revenue growth in our U.S. business, partially offset by additional intangible asset amortization related to our acquisitions and the effect of unfavorable currency fluctuations.

Europe Segment. Operating income in our Europe segment increased by 2.0% to $244.8 million for fiscal 2016 compared to the prior year despite the effect of unfavorable currency fluctuations of $19.7 million. The operating margin was 38.7% and 39.0% for the fiscal years 2016 and 2015, respectively. The increase in operating income was primarily driven by revenue growth, partially offset by the effect of unfavorable currency fluctuations.

Asia-Pacific Segment. Operating income in our Asia segment increased by 27.8% to $50.7 million for fiscal 2016 compared to the prior year despite the effect of unfavorable currency fluctuations in the Asia-Pacific region of $3.4 million. The operating margin was 23.8% and 21.0% for the fiscal years 2016 and 2015, respectively. The increases in operating income and operating margin were due to incremental revenues from the acquisition and subsequent organic growth of Ezidebit, which generates a higher operating margin than our legacy business in the region.

Corporate. Corporate expenses increased to $178.3 million for fiscal 2016 compared to the prior year due primarily to expenses of $51.3 million associated with our merger with Heartland.

Other Income/Expense, Net

Interest and other expense increased by $24.9 million for fiscal 2016 compared to the prior year primarily due to an increase in borrowings outstanding under our long-term debt facilities, most of which related to new borrowings associated with our merger with Heartland.

Provision for Income Taxes

The provision for income taxes decreased by $37.3 million for fiscal 2016 compared to the prior year due to a decrease in income before income taxes, largely due to expenses of $51.3 million in the U.S. associated with our merger with Heartland, and a lower effective income tax rate. The decrease in our effective income tax rate from 25.9% to 19.6% was primarily due to a higher percentage of the earnings before income taxes derived from foreign operations with lower income tax rates (primarily as a result of the merger-related expenses incurred in the United States) as well as the elimination of certain net deferred tax liabilities associated

Table of Contents

with undistributed earnings from Canada as a result of management's plans to reinvest these earnings outside of the United States indefinitely.

Fiscal Year Ended May 31, 2015 Compared to Fiscal Year Ended May 31, 2014

The following table shows key selected financial data for the years ended May 31, 2015 and 2014, this data as a percentage of total revenues, and the changes between fiscal years in dollars and as a percentage of the prior year amount.

| (dollar amounts in thousands) | 2015 | % of Revenue (1) | 2014 | % of Revenue (1) | Change | % Change |
|---|---|---|---|---|---|---|
| Revenues: | | | | | | |
| North America | $1,968,890 | 71.0 % | $1,808,992 | 70.8 % | $159,898 | 8.8 % |
| Europe | 615,966 | 22.2 % | 587,463 | 23.0 % | 28,503 | 4.9 % |
| Asia-Pacific | 188,862 | 6.8 % | 157,781 | 6.2 % | 31,081 | 19.7 % |
| Total revenues | $2,773,718 | 100.0 % | $2,554,236 | 100.0 % | $219,482 | 8.6 % |
| Consolidated operating expenses: | | | | | | |
| Cost of service | $1,022,107 | 36.8 % | $952,225 | 37.3 % | $69,882 | 7.3 % |
| Selling, general and administrative | 1,295,014 | 46.7 % | 1,196,512 | 46.8 % | 98,502 | 8.2 % |
| Operating expenses | $2,317,121 | 83.5 % | $2,148,737 | 84.1 % | $168,384 | 7.8 % |
| Operating income (loss): | | | | | | |
| North America | $293,139 | | $272,251 | | $20,888 | 7.7 % |
| Europe | 240,014 | | 209,334 | | 30,680 | 14.7 % |
| Asia-Pacific | 39,697 | | 30,845 | | 8,852 | 28.7 % |
| Corporate | (116,253) | | (106,931) | | (9,322) | 8.7 % |
| Operating income | $456,597 | 16.5 % | $405,499 | 15.9 % | $51,098 | 12.6 % |
| Operating margin for segments: | | | | | | |
| North America | 14.9 % | | 15.0 % | | (0.1)% | |
| Europe | 39.0 % | | 35.6 % | | 3.4 % | |
| Asia-Pacific | 21.0 % | | 19.5 % | | 1.5 % | |

(1) Percentage amounts may not sum to the total due to rounding.

Revenues

For fiscal 2015, revenues increased by 8.6% to $2,773.7 million compared to the prior year, reflecting growth in most of our markets, partially offset by the unfavorable effect of fluctuations in foreign currency exchange rates. For the year ended May 31, 2015, currency exchange rate fluctuations decreased our revenues by $78.4 million compared to the prior year, calculated by converting fiscal 2015 revenues in local currency using fiscal 2014 rates.

North America Segment. For fiscal 2015, revenues from our North America segment increased by 8.8% to $1,968.9 million compared to the prior year despite the effect of the unfavorable effect of currency fluctuations in Canada. U.S. revenue growth was driven by growth in our direct distribution channels, including our integrated solutions business, which reflects the addition of Payment Processing, Inc. ("PayPros").

For fiscal 2015, revenues in Canada decreased by 2.3% to $313.0 million due to the unfavorable effect of changes in exchange rates, which outweighed revenue growth achieved in local currency resulting from stable business performance and selective pricing initiatives.

Table of Contents

Europe Segment. For fiscal 2015, Europe segment revenues increased by $28.5 million, or 4.9%, to $616.0 million compared to the prior year. The increase reflected growth in local currencies primarily due to growth in the number of card transactions and volume growth, partially offset by the unfavorable effect of currency fluctuations of $50.7 million.

Asia-Pacific Segment. For fiscal 2015, Asia-Pacific segment revenues increased by $31.1 million, or 19.7%, to $188.9 million compared to the prior year primarily due to the acquisition of Ezidebit.

Operating Expenses

Cost of Service. Cost of service increased by 7.3% during fiscal 2015 compared to the prior year. As a percentage of revenues, cost of service decreased to 36.8% for fiscal year 2015 compared to 37.3% in the prior year. The increase in cost of service for fiscal 2015 was driven primarily by an increase in the variable costs associated with revenue growth and additional intangible asset amortization and other incremental cost of service associated with our acquisitions of PayPros and Ezidebit, partially offset by favorable effects of changes in exchange rates.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased 8.2% during fiscal 2015 compared to the prior year. As a percentage of revenues, selling, general and administrative expenses was 46.7% for fiscal year 2015 and 46.8% in the prior year. The increase in selling, general and administrative expenses for fiscal 2015 was primarily due to an increase in commission payments to third-party sales partners and incremental costs related to our acquisitions of PayPros and Ezidebit.

Operating Income and Operating Margin for Segments

North America Segment. Operating income in our North America segment increased 7.7% to $293.1 million for fiscal 2015 compared to the prior year despite the effect of unfavorable currency fluctuations in Canada. The increase in operating income was primarily due to growth in our U.S. direct distribution channels, including the addition of PayPros to our integrated solutions business, partially offset by intangible asset amortization and other incremental operating costs associated with PayPros and the unfavorable effect of exchange rate fluctuations in Canada. The operating margin was 14.9% and 15.0% for the fiscal years 2015 and 2014, respectively.

Europe Segment. Operating income in our Europe segment increased by 14.7% to $240.0 million for fiscal 2015 compared to the prior year due to the effects of the revenue growth, in spite of the unfavorable effect of currency fluctuations of $13.9 million. The operating margin improved to 39.0% for fiscal 2015 compared to the prior year.

Asia-Pacific Segment. Operating income in our Asia-Pacific segment increased 28.7% to $39.7 million for fiscal 2015 compared to the prior year. The operating margin increased to 21.0% for fiscal 2015 compared to 19.5% for the prior year. The increase in operating income and improvement in operating margin for the Asia-Pacific segment were largely due to our acquisition of Ezidebit.

Corporate. Our corporate expenses increased 8.7% to $116.3 million for fiscal 2015 compared to the prior year primarily due to settlement of a legal claim in Europe during fiscal 2015 and a credit of $7.0 million associated with the fiscal 2012 processing system intrusion recorded in fiscal 2014.

Operating Income

During fiscal 2015, our consolidated operating income increased 12.6% to $456.6 million from $405.5 million in the prior year. The increase was primarily due to revenue growth in all reportable segments partially offset by higher variable costs of services associated with revenue growth, higher intangible asset amortization and other incremental operating costs associated with PayPros and Ezidebit and the unfavorable effect of exchange rate fluctuations. Operating income for fiscal 2014 also reflects the effect of the processing system intrusion credit of $7.0 million.

Other Income/Expense, Net

Other expense, net, increased to $39.5 million for fiscal 2015 compared to $28.1 million in the prior year. The increase is primarily due to a $10.5 million increase in interest expense on our long-term debt and other credit facilities, resulting from an increase in average balances outstanding under those debt facilities, and an increase in equity method losses on investments in unconsolidated entities, partially offset by a reversal of interest expense of $3.6 million that had been accrued related to an unrecognized tax benefit. As of May 31, 2015, we eliminated the liability for an unrecognized tax benefit and reduced Interest and other expense in the year ended May 31, 2015 in our accompanying consolidated statement of income. See "Note 9 - Income Tax" in the notes to the accompanying consolidated financial statements for further discussion.

During fiscal 2014, we recorded a loss on extinguishment of debt of $2.1 million in connection with the refinancing of our term loan and revolving credit facilities. In addition, during fiscal 2014, we made a final dividend payment to HSBC Asia in the amount of $3.3 million related to a redeemable noncontrolling interest that HSBC Asia held in Global Payments Asia-Pacific. The dividend was reflected as interest expense in our consolidated statements of income. During fiscal 2014, we recorded a $2.1 million gain in connection with the sale of 50% of our subsidiary in Brazil.

Provision for Income Taxes

Our effective tax rates were 25.9% and 28.5% for the years ended May 31, 2015 and 2014, respectively. The effective tax rates for fiscal year 2014 reflects the reduction to the carrying amount of certain U.K. deferred tax assets due to enacted corporate tax rate reductions in the United Kingdom of 3 percentage points. Our effective tax rate differs from the U.S. statutory rate primarily due to income generated in international jurisdictions with lower tax rates.

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 operations is used to make planned capital investments in our business, to pursue acquisitions that meet our corporate objectives, to pay dividends, and to pay down debt and 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 our revolving credit facility and our term loans, for general corporate purposes and to fund acquisitions. In addition, specialized lines of credit are also used in certain of our markets to pre-fund settlement. We regularly evaluate our liquidity and capital position relative to cash requirements, and we may elect to raise additional funds in the future, either through the issuance of debt, equity or otherwise.

On December 15, 2015, we entered into the Merger Agreement with Heartland in a cash-and-stock transaction. The merger is described in the "Executive Overview" section and in "Note 2— Acquisitions" in the notes to the accompanying consolidated financial statements. On February 26, 2016, we amended our existing credit facilities to provide for secured financing of up to $4.78 billion, the incremental proceeds of which were used, among other things, to repay certain portions of Heartland’s existing indebtedness and to finance, in part, the cash consideration and the merger-related costs.

At May 31, 2016, we had cash and cash equivalents totaling $1,044.7 million. Of this amount, we consider $369.3 million to be available cash. Available cash excludes (1) settlement-related cash reserve balances, (2) funds held for collateral for merchant losses ("Merchant Reserves") and (3) 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. At May 31, 2016, our cash and cash equivalents include $497.1 million for settlement-related cash balances. Certain of our funds collected from our merchants serve as collateral to minimize contingent liabilities associated with any losses that may occur under the merchant agreement. At May 31, 2016, our cash and cash equivalents included $155.3 million related to Merchant Reserves. 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. At May 31, 2016, cash and cash equivalents included funds held for customers of $189.1 million.

Our available cash balance includes $248.9 million of cash held by foreign subsidiaries whose earnings are considered indefinitely reinvested outside the United States. These cash balances reflect our capital investments in these subsidiaries and the accumulation of cash flows generated by their operations, net of cash flows used to service debt locally and fund acquisitions outside of the United States. We believe that we are able to maintain a sufficient level of liquidity for our domestic operations and commitments without repatriation of the earnings of these foreign subsidiaries. If we were to repatriate some or all of the cash held by such foreign subsidiaries, we do not believe that the associated income tax liabilities would have a significant effect on our liquidity.

Operating activities provided net cash of $585.0 million during fiscal 2016 compared to $424.7 million in the prior year. The increase in cash flow from operating activities of $160.3 million was primarily due to a decrease in the change in net settlement processing assets of $296.9 million, partially offset by payments of acquisition-related costs of approximately $80 million associated with our merger with Heartland, including costs of $40 million incurred by Heartland that were included in liabilities we assumed as of the acquisition date and paid by us during the fourth quarter of fiscal 2016. Fluctuations in settlement processing assets and obligations are largely due to timing of month-end and transaction volume.

Net cash used in investing activities was $2,127.2 million during fiscal 2016 compared to $440.9 million in the prior year. During fiscal 2016, we invested net cash of $2,035.7 million to complete business acquisitions, including our merger with Heartland. In the prior year, we invested cash of $359.2 million to complete the acquisitions of Realex Payments and Ezi Holdings Pty Ltd.

We made capital expenditures of $91.6 million and $92.6 million during fiscal 2016 and 2015, respectively, including $36.5 million and $35.1 million of internal-use capitalized software development costs. During fiscal 2017, we expect capital expenditures to approximate $140.0 million.

Financing activities provided net cash of $1,965.5 million during fiscal 2016 compared to $141.4 million in the prior year. The increase is due primarily to additional borrowings of $1,780.0 million under new long-term debt facilities made in connection with our merger with Heartland in April 2016. The incremental proceeds from the new loans were used, among other things, to repay certain portions of Heartland’s existing indebtedness and to finance, in part, the cash consideration and the merger-related costs. In July 2015, we refinanced our then-existing credit facilities and used the proceeds of approximately $2.0 billion to repay the then-outstanding balances on our previously existing term loan and revolving credit facilities. These activities are further discussed below under "Long-Term Debt and Credit Facilities."

We used cash of $136.0 million and $372.4 million during fiscal 2016 and fiscal 2015, respectively, to repurchase shares of our common stock.

On June 21, 2016, in exchange for all of our membership interest in VE, Visa transferred up-front consideration, including cash of approximately €33.5 million ($37.7 million equivalent at June 21, 2016), to us. Based on the outcome of potential litigation in the United Kingdom and elsewhere in Europe, a portion of the cash consideration could be refundable.

We believe that our current level of cash and borrowing capacity under our debt facilities 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 Credit Facilities

July 2015 Refinancing. On July 31, 2015, we entered into a second amended and restated term loan agreement (the "2015 Term Loan Agreement") and a second amended and restated credit agreement (the "2015 Revolving Credit Facility Agreement" and collectively, the "2015 Credit Facility Agreements") to provide for a $1.75 billion term loan (the "Term A Loan") and a $1.25 billion revolving credit facility (the "Revolving Credit Facility"), each with a syndicate of financial institutions. We used the proceeds of approximately $2.0 billion to repay the then-outstanding balances on our previously existing term loan and revolving credit facility.

February 2016 Refinancing. In connection with the Merger Agreement on February 26, 2016, we entered into the 2015 Credit Facility Agreements (as amended, the "2016 Credit Facility Agreement") to, among other things, (i) accelerate our repayment schedule for Term A Loan, effective as of February 26, 2016, and (ii) provide security for Term A Loan and the Revolving Credit Facility and modify the applicable financial covenants and interest rate margins. In addition, the 2016 Credit Facility Agreement provided for a new $735 million delayed draw term loan facility (the "Delayed Draw Facility").

We also entered into a new $1.045 billion term B loan ("Heartland Incremental Term B Loan Lender Rejoinder Agreement" or "Term B Loans"). The Delayed Draw Facility and Term B Loans were issued on April 22, 2016 in connection with our merger with Heartland, resulting in total financing of approximately $4.78 billion as contemplated by the debt commitment letter. The incremental proceeds from the new loans were used, among other things, to repay certain portions of Heartland's existing indebtedness and to finance, in part, the cash consideration and the merger-related costs.

Pursuant to the 2016 Credit Facility Agreement, the Term A Loan must be repaid in equal quarterly installments of $43.8 million commencing in November 2016 and ending in May 2020, with the remaining principal balance due upon maturity in July 2020. The Delayed Draw Facility must be repaid in equal quarterly installments of $1.7 million commencing in August 2016, increasing to $8.6 million in August 2018, and ending in May 2020, with the remaining principal balance due upon maturity in July 2020. The Term B Loans must be repaid in equal quarterly installments of $2.6 million commencing in September 2016 and ending in March 2023, with the remaining principal balance due upon maturity in April 2023.

As of May 31, 2016, the outstanding balance on the Revolving Credit Facility was $1,037.0 million. The 2016 Credit Facility Agreement allows us to 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." At May 31, 2016 and 2015, we had outstanding issued standby letters of credit under the Revolving Credit Facility of $8.5 million and $7.6 million, respectively. The total available commitments under the Revolving Credit Facility at May 31, 2016 and 2015 were $204.5 million and $484.3 million, respectively. The Revolving Credit Facility expires in July 2020.

The 2015 Credit Facility, the Delayed Draw Facility, 2016 Credit Facility and the Term B Loans were combined in evaluating the accounting treatment for fees and expenses incurred. We incurred fees and expenses associated with the 2015 Credit Facility, Delayed Draw Facility, 2016 Credit Facility Agreement and the Term B Loans of approximately $63.5 million. The portion of the debt issuance costs related to the 2015 and 2016 Revolving Credit Facility Agreements are included in other noncurrent assets, and the portion of the debt issuance costs related to the 2015 and 2016 Term Loan Agreement are reported as a reduction to the carrying amount of the debt at May 31, 2016. Debt issuance costs are amortized as an adjustment to interest expense over the terms of the respective facilities.

Settlement Lines of Credit

We have lines of credit with banks in the United States and Canada as well as several countries in Europe and in the Asia-Pacific region where we do business. The lines of credit, which are restricted for use in funding settlement, generally have variable interest rates and are subject to annual review. The credit facilities are generally 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 May 31, 2016 a total of $42.9 million of cash on deposit was used to determine the available credit.

As of May 31, 2016 and 2015, respectively, we had $378.4 million and $592.6 million outstanding under these lines of credit with additional capacity as of May 31, 2016 of $733.2 million to fund settlement. During the year ended May 31, 2016, the maximum and average outstanding balances under these borrowings were $659.1 million and $302.6 million, respectively.

Compliance with Covenants

The 2016 Credit Facility Agreement contains customary affirmative and restrictive covenants, including, among others, financial covenants based on our leverage and fixed charge coverage ratios. Financial covenants require 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

22, 2016 through August 31, 2016, (ii) 4.75 to 1.00 as of the end of any fiscal quarter ending during the period from September 1, 2016 through February 28, 2017, (iii) 4.50 to 1.00 as of the end of any fiscal quarter ending during the period from March 1, 2017 through August 31, 2017, (iv) 4.25 to 1.00 as of the end of any fiscal quarter ending during the period from September 1, 2017 through February 28, 2018 and (v) 4.00 to 1.00 as of the end of any fiscal quarter ending thereafter. The fixed charge coverage ratio is required to be no less than 2.25 to 1.00. The 2016 Credit Facility Agreement and settlement lines of credit also include various other covenants that are customary in such borrowings. The 2016 Credit Facility Agreement includes covenants, subject in each case to exceptions and qualifications, that may restrict certain payments, including, in certain circumstances, repurchasing our common stock and paying cash dividends in excess of our current rate of $0.01 per share per quarter.

Table of Contents

The 2016 Credit Facility Agreement also includes customary events of default, the occurrence of which, following any applicable cure period, would permit the lenders to, among other things, declare the principal, accrued interest and other obligations to be immediately due and payable. We were in compliance with all applicable covenants as of and for the year ended May 31, 2016.

See "Note 7 - Long-Term Debt and Credit Facilities" 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 transactions with unconsolidated entities whereby we have financial guarantees, subordinated retained interest, derivative instruments, or other contingent arrangements that expose us to material continuing risks, contingent liabilities, or other obligations under a variable interest in an unconsolidated entity that provides us with financing, liquidity, market, or credit risk support other than the guarantee services described under "Critical Accounting Policies" below.

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 May 31, 2016.

Commitments and Contractual Obligations

The following table summarizes our contractual obligations and commitments as of May 31, 2016:

| | Payments Due by Future Period | | | | |
|---|---|---|---|---|---|
| | Total | Less than 1 Year | 1-3 Years | 3-5 Years | 5+ Years |
| | (in thousands) | | | | |
| Long-term debt | $4,567,000 | $145,938 | $412,000 | $3,013,700 | $995,362 |
| Interest on long-term debt[1] | 692,041 | 152,760 | 281,384 | 182,856 | 75,041 |
| Settlement lines of credit | 378,436 | 378,436 | — | — | — |
| Operating lease obligations[2] | 172,594 | 34,373 | 52,291 | 33,562 | 52,368 |
| Purchase obligations[3] | 230,414 | 81,019 | 76,881 | 25,514 | 47,000 |

[1] Interest on long-term debt is based on rates effective and amounts borrowed as of May 31, 2016. 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.
[2] Includes future minimum lease payments for noncancelable operating leases at May 31, 2016.
[3] Includes estimate of future payments for contractual obligations related to service arrangements with vendors 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 U.S. generally accepted accounting principles, 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.

Reserve for Operating Losses

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 bank. 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 by 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. Estimated known losses arise from specific instances of, for example, merchant bankruptcies, closures or fraud of which we are aware at the balance sheet date but for which the ultimate amount of associated loss will not be determined until after the balance sheet date. Estimated known loss accruals are recorded when it is probable that we have incurred a loss and the loss is reasonably estimable. Estimated known losses are calculated at the merchant level based on chargebacks received to date, processed volume, and historical chargeback ratios. The estimate is reduced for the value of any collateral that we hold. Accruals for estimated known losses are evaluated periodically and adjusted as appropriate based on actual loss experience. Incurred but not reported losses result from transactions that we process before the balance sheet date for which we have not yet received chargeback notification. We estimate incurred but not reported losses by applying historical loss ratios to our direct merchant credit card and signature debit card sales volumes processed, or processed volume. Historically, this estimation process has been materially accurate.

For the years ended May 31, 2016, 2015 and 2014, our processed volume for direct merchant acquiring was $216.0 billion, $207.2 billion, and $201.2 billion, respectively. For these same periods, the provision for merchant losses was $3.7 million, $4.9 million, and $8.7 million, respectively. As a percentage of processed volume, these charges were 0.0017%, 0.0024%, and 0.0043%, respectively, during the corresponding periods. For these same years, we experienced actual losses of $2.6 million, $5.4 million, and $9.3 million, respectively. We believe that our estimation process has been materially accurate on a historical basis. A 10% increase or decrease in our provision for merchant losses as a percentage of processed volume for the year ended May 31, 2016 would have resulted in a decrease or increase in pretax income of $0.4 million. Further, if our provision for merchant losses as a percentage of processed volume for fiscal 2016 had equaled our actual merchant losses as a percentage of processed volume of 0.0024% for the same prior year period, our income before income taxes would have decreased by $1.4 million. As of May 31, 2016 and 2015, $2.5 million and $1.3 million, respectively, were recorded for merchant losses and were included in settlement processing obligations in the accompanying consolidated balance sheets.

In our check guarantee service offering, we charge our merchants a percentage of the gross amount of the check and guarantee payment of the check to the merchant in the event the check is not honored by the checkwriter's bank. We have the right to collect the full amount of the check from the checkwriter, but have not historically recovered 100% of the guaranteed checks. We record a liability for estimated losses on returned checks and estimated incurred but not reported losses. We estimate the loss on returned checks by applying historical collection rates to our claims receivable balance.  We estimate incurred but not reported losses by applying historical loss ratios to the face value of our guaranteed checks.  For the years ended May 31, 2016, 2015 and 2014, we guaranteed total check face values of $2.4 billion, $2.5 billion and $2.6 billion, respectively. For those same periods, we recorded provisions for check guarantee losses of $22.8 million, $9.6 million, and $11.9 million, respectively. As a percentage of the total guaranteed check face value, these charges were 0.95%, 0.38%, and 0.46%, respectively. For these same years, we experienced actual losses of $20.6 million, $9.9 million, and $12.1 million, respectively. We believe that our estimation process has been materially accurate on a historical basis. A 10% increase in our projected loss rate for the year ended May 31, 2016 would have resulted in a decrease in income before income taxes of $2.3 million. Further, if our guarantee loss as a percentage of guarantee volume for fiscal 2016 had equaled our guarantee loss as a percentage of guarantee volume of 0.38% for the same prior year period, our income before income taxes would have increased by $13.7 million. As of May 31, 2016 and 2015, the liabilities for check guarantee losses were

$4.9 million and $2.7 million, respectively, which were included as a valuation allowance against claims receivable in the accompanying consolidated balance sheets.

We derive our projected loss rate assumptions primarily based on a rolling six to twelve month analysis of historic loss activity. These assumptions, however, bear the risk of change, which may occur as a result of several qualitative factors. For merchant losses, these factors include the following: a change in the creditworthiness of our merchant customers; a change in the levels of credit card fraud affecting our merchant customers; and a change in the effectiveness of our internal credit, risk management, and collection departments. For check guarantee losses, these factors include a change in the levels of dishonored consumer checks presented to our guarantee service merchant customers and a change in the effectiveness of our internal check guarantee procedures, customer acceptance and retention policies, or collection protocols. Application of our percentage assumptions involve uncertainty regarding changes in any of the factors above, especially those that are outside of our control, such as the financial health of the economies in the United States, Canada, the United Kingdom, Spain, the Asia-Pacific region and the Russian Federation at a regional or national level and the related impact on our customers.

Goodwill

Goodwill is tested for impairment at the reporting unit level. We test goodwill for impairment annually as of January 1 and more often if an event occurs or circumstances change that would 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 testing 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 value, a two-step quantitative test is required. In the first step, the reporting unit's carrying amount, including goodwill, is compared to its fair value. If the carrying amount of the reporting unit is greater than its fair value, step two must be performed. Step two measures the impairment loss, if any, by comparing the implied fair value of reporting unit goodwill with the carrying amount of that goodwill. The implied fair value of goodwill is determined by assigning the fair value of the reporting unit to all the assets and liabilities of that unit (including unrecognized intangibles) as if the reporting unit had been acquired in a business combination. The excess of the fair value over the amounts assigned to the assets and liabilities of the reporting unit is the implied fair value of the goodwill. The excess of the carrying amount over the implied fair value of the goodwill is the impairment loss.

Our assessment of qualitative factors involves significant judgments about expected future business performance and general market conditions. In a quantitative assessment, we estimate the fair value of the reporting unit using a combination of the income approach and the market approach. This requires various assumptions about a reporting unit’s future financial results and cost of capital including discount rates.

We have six reporting units: North America merchant services, U.K. merchant services, Asia-Pacific merchant services, Central and Eastern Europe merchant services, Russia merchant services and Spain merchant services. As of January 1, 2016, we elected to perform a quantitative assessment of impairment for each of our reporting units. Based on this quantitative assessment, we determined that goodwill of each of our reporting units was not impaired.

Table of Contents

Intangible and Long-lived Assets

Other intangible assets primarily represent 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 technology and trademarks associated with acquisitions. Customer-related intangible assets, contract-based intangible assets and trademarks 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. Acquired technology is amortized on a straight-line basis over its estimated useful life.

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. During fiscal 2016, we did not adjust the amortization schedules.

We believe that our accelerated method better approximates the distribution of cash flows generated by our acquired customer relationships. We use the straight-line method of amortization for our contract-based intangibles and amortizable trademarks.

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 Internally Developed Software

We develop software that is used in providing processing services to customers. Capitalization of internally developed 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 internally developed software, including work in progress, at May 31, 2016 was $226.5 million. Costs capitalized during fiscal 2016, 2015 and 2014 totaled $36.5 million, $35.1 million, and $39.1 million, respectively. Internally developed software is amortized over its estimated useful life, which is typically 2 to 10 years.

Our most recently developed front-end merchant authorization processing platform, which was placed into service in fiscal 2010, is replacing several legacy platforms. As of May 31, 2016, we have placed into service $104.5 million of hardware and software associated with our authorization platform, $3.5 million of which was placed in service during fiscal 2016. Depreciation associated with these costs is calculated based on transactions processed during the period as a percentage of the transactions expected to be processed over the life of the platform. We believe that this method is more representative of the platform's use than the straight-line method. We are currently processing transactions on this authorization platform in nine markets in our Asia-Pacific region and for a limited number of U.S. merchants. Depreciation expense will increase as we complete migrations of other merchants to this authorization platform.

Table of Contents

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. 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. A portion of the unrecognized tax benefits that exist at May 31, 2016 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

Refer to "Note 1 - Basis of Presentation and Summary of Significant Accounting Policies" of the notes to the accompanying consolidated financial statements for information on recently issued accounting pronouncements not yet adopted.

Table of Contents

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 fiscal 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, calculated by converting fiscal 2016 revenues and expenses in local currency using fiscal 2015 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 May 31, 2016, 2015 and 2014, 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 term loans and a corporate credit facility that we use 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 May 31, 2016, there was $4.9 billion outstanding under these variable-rate debt arrangements and settlement lines of credit.

The interest earned on our cash investments 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 7 - Long-Term Debt and Credit Facilities" in the notes to our accompanying consolidated financial statements.

Based on balances outstanding under variable-rate debt agreements and cash investment balances at May 31, 2016, a hypothetical increase of 100 basis points in applicable interest rates as of May 31, 2016 would increase our annual interest expense by approximately $42.0 million and increase our annual interest income by approximately $3.3

million.

Table of Contents

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Stockholders of
Global Payments Inc.
Atlanta, Georgia

We have audited the internal control over financial reporting of Global Payments Inc. and subsidiaries (the "Company") as of May 31, 2016, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. 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 Heartland Payment Systems Inc. ("Heartland"), which was acquired on April 22, 2016, and whose financial statements constituted approximately 4% of consolidated revenues, 21% of consolidated total assets (excluding goodwill related to the Heartland transaction which was integrated into the Company's systems and control environment), and less than 0.5% of consolidated net income, as of and for the year ended May 31, 2016. Accordingly, our audit did not include the portion of internal control over financial reporting at Heartland Payment Systems Inc. that is excluded from management’s assessment. 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 conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). 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.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel 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 the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of May 31, 2016, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended May 31, 2016 of the Company and our report dated July 28, 2016 expressed an unqualified opinion on those financial statements and financial statement schedule.

/s/ DELOITTE & TOUCHE LLP
Atlanta, Georgia
July 28, 2016

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM
To the Board of Directors and Stockholders of
Global Payments Inc.
Atlanta, Georgia

We have audited the accompanying consolidated balance sheets of Global Payments Inc. and subsidiaries (the "Company") as of May 31, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for each of the three years in the period ended May 31, 2016. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Global Payments Inc. and subsidiaries as of May 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended May 31, 2016, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of May 31, 2016, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated July 28, 2016 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ DELOITTE & TOUCHE LLP
Atlanta, Georgia
July 28, 2016

Table of Contents

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

| | Year Ended May 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Revenues | $2,898,150 | $2,773,718 | $2,554,236 |
| Operating expenses: | | | |
| Cost of service | 1,147,639 | 1,022,107 | 952,225 |
| Selling, general and administrative | 1,325,567 | 1,295,014 | 1,196,512 |
| | 2,473,206 | 2,317,121 | 2,148,737 |
| Operating income | 424,944 | 456,597 | 405,499 |
| Interest and other income | 5,284 | 4,949 | 13,663 |
| Interest and other expense | (69,316) | (44,436) | (41,812) |
| | (64,032) | (39,487) | (28,149) |
| Income before income taxes | 360,912 | 417,110 | 377,350 |
| Provision for income taxes | (70,695) | (107,995) | (107,398) |
| Net income | 290,217 | 309,115 | 269,952 |
| Less: Net income attributable to noncontrolling interests | (18,551) | (31,075) | (24,666) |
| Net income attributable to Global Payments | $271,666 | $278,040 | $245,286 |
| Earnings per share attributable to Global Payments: | | | |
| Basic earnings per share | $2.05 | $2.07 | $1.70 |
| Diluted earnings per share | $2.04 | $2.06 | $1.69 |

See Notes to Consolidated Financial Statements.

Table of Contents

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

| | Year End May 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Net income | $290,217 | $309,115 | $269,952 |
| Other comprehensive (loss) income: | | | |
| Foreign currency translation adjustments | (55,858) | (220,641) | 17,034 |
| Income tax benefit related to foreign currency translation adjustments | — | 12,152 | 3,133 |
| Unrealized losses on hedging activities | (12,859) | (10,116) | — |
| Reclassification of losses on hedging activities to interest expense | 8,240 | 3,958 | — |
| Income tax benefit related to hedging activities | 1,738 | 2,284 | — |
| Other | (1,382) | (691) | 236 |
| Income tax benefit (expense) related to other | 534 | 241 | (63) |
| Other comprehensive (loss) income | (59,587) | (212,813) | 20,340 |
| Comprehensive income | 230,630 | 96,302 | 290,292 |
| Less: comprehensive income attributable to noncontrolling interests | (19,022) | (2,478) | (31,720) |
| Comprehensive income attributable to Global Payments | $211,608 | $93,824 | $258,572 |

See Notes to Consolidated Financial Statements.

Table of Contents

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

| | May 31, 2016 | May 31, 2015 |
|---|---|---|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | $1,044,728 | $650,739 |
| Accounts receivable, net of allowances for doubtful accounts of $353 and $468, respectively | 281,612 | 202,390 |
| Claims receivable, net of allowances for doubtful accounts of $4,868 and $2,684, respectively | 6,799 | 548 |
| Settlement processing assets | 1,336,326 | 2,394,822 |
| Prepaid expenses and other current assets | 181,848 | 41,416 |
| Total current assets | 2,851,313 | 3,289,915 |
| Goodwill | 4,829,405 | 1,491,833 |
| Other intangible assets, net | 2,264,708 | 560,136 |
| Property and equipment, net | 493,678 | 374,143 |
| Deferred income taxes | 22,719 | 30,428 |
| Other noncurrent assets | 48,129 | 32,846 |
| Total assets | $10,509,952 | $5,779,301 |
| LIABILITIES AND EQUITY | | |
| Current liabilities: | | |
| Settlement lines of credit | $378,436 | $592,629 |
| Current portion of long-term debt | 135,542 | 61,784 |
| Accounts payable and accrued liabilities | 696,414 | 326,875 |
| Settlement processing obligations | 1,220,315 | 2,033,900 |
| Total current liabilities | 2,430,707 | 3,015,188 |
| Long-term debt | 4,379,744 | 1,678,283 |
| Deferred income taxes | 744,862 | 202,855 |
| Other noncurrent liabilities | 77,235 | 19,422 |
| Total liabilities | 7,632,548 | 4,915,748 |
| 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; 154,421,585 issued and outstanding at May 31, 2016 and 130,557,676 issued and outstanding at May 31, 2015 | — | — |
| Paid-in capital | 1,976,715 | 148,742 |
| Retained earnings | 1,015,811 | 795,226 |
| Accumulated other comprehensive loss | (246,050) | (185,992) |
| Total Global Payments shareholders’ equity | 2,746,476 | 757,976 |
| Noncontrolling interests | 130,928 | 105,577 |
| Total equity | 2,877,404 | 863,553 |
| Total liabilities and equity | $10,509,952 | $5,779,301 |

See Notes to Consolidated Financial Statements.

Table of Contents

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

| | Year Ended May 31, | | |
|---|---|---|---|
| | 2016 | 2015 | 2014 |
| Cash flows from operating activities: | | | |
| Net income | $290,217 | $309,115 | $269,952 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | | |
| Depreciation and amortization of property and equipment | 74,192 | 64,918 | 60,124 |
| Amortization of acquired intangibles | 113,689 | 72,587 | 61,945 |
| Share-based compensation expense | 30,809 | 21,056 | 29,793 |
| Provision for operating losses and bad debts | 27,202 | 14,506 | 20,574 |
| Deferred income taxes | (18,162) | 81,079 | (1,799) |
| Other, net | 9,257 | 3,073 | (1,484) |
| Changes in operating assets and liabilities, net of the effects of acquisitions: | | | |
| Accounts receivable | (14,542) | 1,248 | (18,539) |
| Claims receivable | (29,078) | (9,317) | (11,569) |
| Settlement processing assets and obligations, net | 218,061 | (78,794) | (241,431) |
| Prepaid expenses and other assets | (35,138) | 14,743 | 23,788 |
| Accounts payable and other liabilities | (81,506) | (69,513) | 2,744 |
| Net cash provided by operating activities | 585,001 | 424,701 | 194,098 |
| Cash flows from investing activities: | | | |
| Business, intangible and other asset acquisitions, net of cash acquired | (2,035,657) | (359,187) | (426,524) |
| Capital expenditures | (91,591) | (92,550) | (81,411) |
| Other | — | 10,816 | 6,265 |
| Net cash used in investing activities | (2,127,248) | (440,921) | (501,670) |
| Cash flows from financing activities: | | | |
| Net borrowings (repayments) on settlement lines of credit | (206,009) | 198,884 | 252,667 |
| Proceeds from issuance of long-term debt | 6,078,230 | 2,496,842 | 2,690,000 |
| Principal payments of long-term debt | (3,691,608) | (2,148,907) | (2,260,597) |
| Payment of debt issuance costs | (63,382) | — | (5,961) |
| Repurchase of common stock | (135,954) | (372,387) | (447,307) |
| Proceeds from stock issued under share-based compensation plans | 8,480 | 22,550 | 31,727 |
| Common stock repurchased - share-based compensation plans | (12,236) | (15,690) | (5,681) |
| Tax benefit from share-based compensation plans | 7,889 | 5,176 | 6,475 |
| Purchase of subsidiary shares from noncontrolling interest | (7,550) | — | — |
| Proceeds from sale of subsidiary shares to noncontrolling interest | 16,374 | — | — |
| Distributions to noncontrolling interests | (23,308) | (39,753) | (36,670) |
| Dividends paid | (5,439) | (5,340) | (5,757) |
| Net cash provided by financing activities | 1,965,487 | 141,375 | 218,896 |
| Effect of exchange rate changes on cash | (29,251) | (56,288) | (9,922) |
| Increase (decrease) in cash and cash equivalents | 393,989 | 68,867 | (98,598) |
| Cash and cash equivalents, beginning of the period | 650,739 | 581,872 | 680,470 |
| Cash and cash equivalents, end of the period | $1,044,728 | $650,739 | $581,872 |

See Notes to Consolidated Financial Statements.

Table of Contents

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, 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 | 612 | 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 | 25,644 | 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 | 154,442 | $1,976,715 | | | | | |