

## **Table of Contents**

### *Global Business Solutions*

Our GBS segment revenues are primarily derived from processing credit and debit card transactions for business clients and also include fees for providing processing, loyalty and software services and sales and leases of POS devices. Revenues are generated from a variety of sources:

- Discount fees charged to a merchant, net of credit and debit card interchange and assessment fees charged by the payment networks. The discount fee is typically either a percentage of the purchase amount or an interchange fee plus a fixed dollar amount;
- Processing fees charged to our alliances;
- Processing fees charged to merchant acquirers who have outsourced their transaction processing to us;
- Sales and leases of POS devices;
- Fees from providing reporting and other services; and
- Software and software-as-a-service fees generated from the *Clover App Market*.

GBS revenue is presented net of interchange fees and assessments but includes reimburseable debit network fees and other, which is also included as an expense.

A substantial portion of our business within the GBS segment is conducted through merchant alliances between the Company and financial institutions. If we have majority ownership and management control over an alliance, then the alliance's financial statements are consolidated with ours and the related processing fees are treated as an intercompany transaction and eliminated upon consolidation. If we do not have a controlling ownership interest in an alliance, we use the equity method of accounting to account for our investment in the alliance. As a result, our consolidated revenues include certain processing fees charged to alliances accounted for under the equity method.

A large portion of segment revenue is derived from transaction and processing related services. This business is dependent on macroeconomic consumer trends and global economic conditions that affect the volume of consumer spending and the use of electronic payments and changes in these factors have in the past impacted, and may in the future impact, our ability to grow this portion of the business. We have begun to implement recent initiatives, such as the introduction of several new products and expansion of our sales force, in an effort to grow this business versus prior periods.

### *Global Financial Solutions*

Our GFS revenues are primarily derived from credit and retail card processing services, output, loyalty and software services provided to financial institutions. Revenues for GFS services are typically generated on the basis of number of accounts on file, statements/letters printed and mailed, and personalized plastics issued.

### *Network & Security Solutions*

Our NSS revenues are primarily derived from network and card processing fees and also include security, risk and fraud management solutions and information services. Network access fees charged to businesses are assessed generally on a per transaction basis.

## **Recent Developments**

### *New Products and Markets*

We recently launched new products to help our clients grow their businesses. For example:

- *Clover Station*—our tablet based integrated POS solution that simplifies the way SMBs operate.
- *Clover Mobile*—allows our clients to accept payments wherever their business takes them.