



# 2008 Third Quarter Financial Release

November 14, 2008

# Agenda

- **Michael Capellas, Chairman and CEO**
  - Financial Highlights
  - Strategic Progress
  
- **Phil Wall, Chief Financial Officer**
  - Segment Results
  - Adjusted EBITDA
  - Financial Update
  
- **Q&A**

# Safe Harbor

**Statements in this presentation regarding First Data Corporation’s business which are not historical facts are “forward-looking statements.” All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties which could cause actual events or results to differ materially from those projected. Please refer to the company’s meaningful cautionary statements contained in the appendix of this presentation and the company’s most recent Form 10-Q filed with the SEC for a more detailed list of risks and uncertainties.**



Michael Capellas

Chairman and Chief Executive Officer

# Consolidated Financial Highlights

## Third Quarter 2008 Results

- Revenue growth of 4%<sup>(1)</sup>
- Adjusted EBITDA growth of 7%<sup>(2)</sup>

<sup>(1)</sup> See Appendix

<sup>(2)</sup> See Slide 16 for reconciliation to (loss) income from continuing operations

# Recent Developments

## Appointments

- CTO, Bob DeRodes

## Transaction Trends

- Credit
- Debit
- Prepaid
- International

## Bank Consolidation

# Our Strategy

1. Generate Organic Growth
2. Accelerate New Product Development
3. Pursue Targeted Geographic Expansion and Strategic Alliances
4. Reduce Structural Cost
5. Improve Technology Delivery

# Strategic Progress

## 1. Generate Organic Growth

- More than 146,000 domestic merchant locations signed
- 13 New Independent Sales Organizations, 10 New Referral Partners
- Allianz (Poland)
- IKEA (Germany)
- Vision *PLUS* 5-Year Agreement (Colombia, October)

# Strategic Progress

## 2. Accelerate New Product Development

- Go-Tags, Democratic National Convention
- ATM Deployment and Outsourcing (Europe)

# Strategic Progress

## 3. Pursue Targeted Geographic Expansion and Strategic Alliances

- Trionis/ EUFISERV
- InComm
- Chase Paymentech

# Strategic Progress

## 4. Reduce Structural Cost

## 5. Improve Technology Delivery

- Data Center Consolidation
- Platform Consolidation
- Vision *PLUS*



Phil Wall

Chief Financial Officer

# Merchant Services

## Third Quarter 2008 Key Performance Metrics

	Reported	Adjusted <sup>1</sup>
Revenue Growth	6%	6%
Revenue Growth (Excluding DNF)	(3)%	(3)%
<hr/>		
Operating Profit Change	(60)%	(9)%
<hr/>		
Profit Margin	10.4%	24.2%
Profit Margin (Excluding DNF)	15.5%	36.0%
<hr/>		
Merchant Transaction Growth	9%	9%

<sup>1</sup> Excludes purchase accounting adjustments (predominantly related to increased amortization expense). Merchant transaction growth not impacted by purchase accounting adjustments.

See Appendix

# Financial Services

## Third Quarter 2008 Key Performance Metrics

	Reported	Adjusted <sup>1</sup>
Revenue Growth	(5)%	(6)%
Revenue Growth (Excluding Reimbursables)	(7)%	(8)%
<hr/>		
Operating Profit Change	(23)%	(3)%
<hr/>		
Profit Margin	15.9%	20.8%
Profit Margin (Excluding Reimbursables)	21.3%	28.1%
<hr/>		
Card Accounts on File Growth <sup>2</sup>	Flat	Flat
Debit Issuer Transaction Growth	3%	3%

<sup>1</sup> Excludes purchase accounting adjustments (predominantly related to increased amortization expense). Card accounts on file and debit issuer transaction growth not impacted by purchase accounting adjustments.

<sup>2</sup> Includes bankcard, retail and debit card accounts on file.

# International Third Quarter 2008 Key Performance Metrics

	Reported	Adjusted <sup>1</sup>
Revenue Growth	19%	18%
Revenue Growth (Organic Constant Currency <sup>2</sup> )	5%	5%
<hr/>		
Operating Profit Change	59%	79%
<hr/>		
Profit Margin	10.0%	11.2%
<hr/>		
Transaction Growth	21%	21%
POS Location Growth	14%	14%
Card Accounts on File Growth <sup>3</sup>	11%	11%

<sup>1</sup> Excludes purchase accounting adjustments. Transaction, POS location and card accounts on file growth not impacted by purchase accounting adjustments.

<sup>2</sup> Excludes acquisitions less than one year old and divestitures.

<sup>3</sup> Includes bankcard, retail and debit card accounts on file.

See Appendix

# Third Quarter 2008 Adjusted EBITDA Reconciliation

(\$ in millions)

	<b>Successor</b>	<b>Successor</b>	<b>Predecessor</b>	<b>Combined <sup>(1)</sup></b>	<b>Change</b>
	<b>Three months ended September 30, 2008</b>	<b>Period from September 25 through September 30, 2007</b>	<b>Period from July 1 through September 24, 2007</b>	<b>Three months ended September 30, 2007</b>	
(Loss) income from continuing operations	\$ (164.4)	\$ (28.7)	\$ 63.8	\$ 35.1	NM
Interest expense, net (2)	491.8	31.0	23.3	54.3	
Income tax (benefit) expense	(145.5)	(21.2)	18.2	(3.0)	
Depreciation and amortization	395.7	22.8	175.2	198.0	
EBITDA	<u>577.6</u>	<u>3.9</u>	<u>280.5</u>	<u>284.4</u>	
Stock based compensation (3)	9.0	-	215.0	215.0	
Other items (4)	(24.9)	21.7	(11.9)	9.8	
Debt repayment (5)	-	6.0	-	6.0	
Pretax equivalency adjustment (6)	-	3.9	54.7	58.6	
Official check and money order EBITDA (7)	42.2	(0.2)	(3.1)	(3.3)	
Cost of data center, technology and other savings initiatives (8)	77.4	1.4	19.5	20.9	
Transaction related fees	3.9	-	53.8	53.8	
Purchase accounting (9)	3.7	-	-	-	
Sponsor's annual management fee	5.0	0.3	-	0.3	
Pre-acquisition EBITDA of acquired businesses (10)	(0.3)	0.3	4.2	4.5	
Adjusted EBITDA	<u>\$ 693.6</u>	<u>\$ 37.3</u>	<u>\$ 612.7</u>	<u>\$ 650.0</u>	7%

See Slide 17 for explanatory notes to Adjusted EBITDA reconciliation.

# Notes to Adjusted EBITDA Reconciliations

- (1) 2007 is presented on a combined basis and includes the successor period from September 25 through September 30, 2007 and the predecessor period from July 1 through September 24, 2007.
- (2) Includes interest expense and interest income.
- (3) Stock based compensation recognized as expense and the related payroll taxes.
- (4) Includes net restructuring, impairments, investment gains and losses, derivative financial instruments gains and losses, net divestiture gains, litigation and regulatory settlements, operating and non-operating foreign currency gains and losses and other.
- (5) Loss resulting from the early repayment of long-term debt.
- (6) Represents an adjustment to reflect Integrated Payment Systems segment operating results as if the underlying investments were held in taxable securities rather than the tax-exempt variable rate demand notes in which they were actually held through 2007. The adjustment was no longer necessary after December 31, 2007 since the company invested in taxable securities in 2008.
- (7) Represents an adjustment to exclude the official check and money order business from EBITDA due to the company's wind down of these businesses.
- (8) Represents implementation costs associated with initiatives to reduce operating expenses including items such as platform and data center consolidation initiatives in the International segment, expense related to the reorganization of global application development resources, expense associated with domestic data center consolidation initiatives and planned workforce reduction expenses, all of which are considered one-time projects (excludes costs accrued in purchase accounting).
- (9) Represents the effect of purchase accounting on EBITDA which is primarily the result of revenue recognition adjustments.
- (10) Reflects the EBITDA of companies acquired after June 30, 2007 through September 30, 2008 as if these companies had been acquired on July 1, 2007.

## Financial Update

- All Other and Corporate
- IPS (Official Check & Money Order)
- Prepaid Services

## Financial Measures

- Cash Flows
- Quarterly Debt Service Levels
- Cash and Cash Equivalents Balance
- Capital Expenditures
- Taxes



# Q & A



# Appendix

# Consolidated Revenue

(\$ in millions)

	<u>Successor</u>	<u>Successor</u>	<u>Predecessor</u>		
	<b>Three months ended September 30, 2008</b>	<b>Period from September 25 through September 30, 2007</b>	<b>Period from July 1 through September 24, 2007</b>	<b>Combined <sup>(1)</sup></b>	<b>Change</b>
<i>Consolidated</i> Revenues	\$ 2,164.0	\$ 135.3	\$ 1,935.9	\$ 2,071.2	4%

(1) 2007 is presented on a combined basis and includes the successor period from September 25 through September 30, 2007 and the predecessor period from July 1 through September 24, 2007.

# Merchant Services Non-GAAP Reconciliation

(\$ in millions)

	<u>Successor</u>	<u>Successor</u>	<u>Predecessor</u>	<u>Combined <sup>(1)</sup></u>	<u>Change</u>
	<u>Three months ended September 30, 2008</u>	<u>Period from September 25 through September 30, 2007</u>	<u>Period from July 1 through September 24, 2007</u>		
<b><u>Merchant Services</u></b>					
Revenue	\$ 1,025.5	\$ 61.3	\$ 907.0	\$ 968.3	6%
Purchase accounting adjustments	(0.2)	-	-	-	
Revenue excluding purchase accounting adjustments	<u>\$ 1,025.3</u>	<u>\$ 61.3</u>	<u>\$ 907.0</u>	<u>\$ 968.3</u>	6%
Operating profit	\$ 106.4	\$ 10.1	\$ 257.1	\$ 267.2	-60%
Purchase accounting adjustments	141.4	5.7	-	5.7	
Operating profit excluding purchase accounting adjustments	<u>\$ 247.8</u>	<u>\$ 15.8</u>	<u>\$ 257.1</u>	<u>\$ 272.9</u>	-9%
Profit margin	10.4%			27.6%	
Profit margin excluding purchase accounting adjustments	24.2%			28.2%	
Revenue	\$ 1,025.5	\$ 61.3	\$ 907.0	\$ 968.3	6%
Reimbursable debit network fees (DNF)	(337.8)	(16.8)	(244.1)	(260.9)	
Revenue excluding DNF	<u>\$ 687.7</u>	<u>\$ 44.5</u>	<u>\$ 662.9</u>	<u>\$ 707.4</u>	-3%
Operating profit	\$ 106.4	\$ 10.1	\$ 257.1	\$ 267.2	-60%
Profit margin excluding DNF	15.5%			37.8%	
Revenue	\$ 1,025.5	\$ 61.3	\$ 907.0	\$ 968.3	6%
Purchase accounting adjustments	(0.2)	-	-	-	
DNF	(337.8)	(16.8)	(244.1)	(260.9)	
Revenue excluding purchase accounting adjustments and DNF	<u>\$ 687.5</u>	<u>\$ 44.5</u>	<u>\$ 662.9</u>	<u>\$ 707.4</u>	-3%
Operating profit	\$ 106.4	\$ 10.1	\$ 257.1	\$ 267.2	-60%
Purchase accounting adjustments	141.4	5.7	-	5.7	
Operating profit excluding purchase accounting adjustments	<u>\$ 247.8</u>	<u>\$ 15.8</u>	<u>\$ 257.1</u>	<u>\$ 272.9</u>	-9%
Profit margin excluding purchase accounting adjustments and DNF	36.0%			38.6%	

(1) 2007 is presented on a combined basis and includes the successor period from September 25 through September 30, 2007 and the predecessor period from July 1 through September 24, 2007.

# Financial Services Non-GAAP Reconciliation

(\$ in millions)

	<u>Successor</u>	<u>Successor</u>	<u>Predecessor</u>	<u>Combined <sup>(1)</sup></u>	<u>Change</u>
	<u>Three months ended September 30, 2008</u>	<u>Period from September 25 through September 30, 2007</u>	<u>Period from July 1 through September 24, 2007</u>		
<b><u>Financial Services</u></b>					
Revenue	\$ 699.8	\$ 46.8	\$ 690.8	\$ 737.6	-5%
Purchase accounting adjustments	(8.9)	(0.7)	-	(0.7)	
Revenue excluding purchase accounting adjustments	<u>\$ 690.9</u>	<u>\$ 46.1</u>	<u>\$ 690.8</u>	<u>\$ 736.9</u>	-6%
Operating profit	\$ 111.1	\$ 4.8	\$ 138.8	\$ 143.6	-23%
Purchase accounting adjustments	32.8	4.1	-	4.1	
Operating profit excluding purchase accounting adjustments	<u>\$ 143.9</u>	<u>\$ 8.9</u>	<u>\$ 138.8</u>	<u>\$ 147.7</u>	-3%
Profit margin	15.9%			19.5%	
Profit margin excluding purchase accounting adjustments	20.8%			20.0%	
Revenue	\$ 699.8	\$ 46.8	\$ 690.8	\$ 737.6	-5%
Reimbursable postage and other	(179.4)	(11.2)	(167.3)	(178.5)	
Revenue excluding reimbursable postage and other	<u>\$ 520.4</u>	<u>\$ 35.6</u>	<u>\$ 523.5</u>	<u>\$ 559.1</u>	-7%
Operating profit	\$ 111.1	\$ 4.8	\$ 138.8	\$ 143.6	-23%
Profit margin excluding reimbursable postage and other	21.3%			25.7%	
Revenue	\$ 699.8	\$ 46.8	\$ 690.8	\$ 737.6	-5%
Purchase accounting adjustments	(8.9)	(0.7)	-	(0.7)	
Reimbursable postage and other	(179.4)	(11.2)	(167.3)	(178.5)	
Revenue excluding purchase accounting adjustments and reimbursable postage and other	<u>\$ 511.5</u>	<u>\$ 34.9</u>	<u>\$ 523.5</u>	<u>\$ 558.4</u>	-8%
Operating profit	\$ 111.1	\$ 4.8	\$ 138.8	\$ 143.6	-23%
Purchase accounting adjustments	32.8	4.1	-	4.1	
Operating profit excluding purchase accounting adjustments	<u>\$ 143.9</u>	<u>\$ 8.9</u>	<u>\$ 138.8</u>	<u>\$ 147.7</u>	-3%
Profit margin excluding purchase accounting adjustments and reimbursable postage and other	28.1%			26.5%	

(1) 2007 is presented on a combined basis and includes the successor period from September 25 through September 30, 2007 and the predecessor period from July 1 through September 24, 2007.



# First Data™ International Non-GAAP Reconciliation

(\$ in millions)

	<u>Successor</u>	<u>Successor</u>	<u>Predecessor</u>	<u>Combined <sup>(1)</sup></u>	<u>Change</u>
	<u>Three months ended</u>	<u>Period from September</u>	<u>Period from July 1</u>		
	<u>September 30, 2008</u>	<u>25 through September</u>	<u>through September 24,</u>		
		<u>30, 2007</u>	<u>2007</u>		
<b><u>International</u></b>					
Revenue	\$ 487.0	\$ 28.8	\$ 381.8	\$ 410.6	19%
Purchase accounting adjustments	(1.8)	(0.2)	-	(0.2)	
Revenue excluding purchase accounting adjustments	<u>\$ 485.2</u>	<u>\$ 28.6</u>	<u>\$ 381.8</u>	<u>\$ 410.4</u>	18%
Operating profit	\$ 48.5	\$ 2.7	\$ 27.8	\$ 30.5	59%
Purchase accounting adjustments	5.9	(0.1)	-	(0.1)	
Operating profit excluding purchase accounting adjustments	<u>\$ 54.4</u>	<u>\$ 2.6</u>	<u>\$ 27.8</u>	<u>\$ 30.4</u>	79%
Profit margin	10.0%			7.4%	
Profit margin excluding purchase accounting adjustments	11.2%			7.4%	
<b><u>Organic Revenue Constant Currency</u></b>					
Revenue	\$ 487.0	\$ 28.8	\$ 381.8	\$ 410.6	19%
Acquisitions less than a year old	(40.7)	-	-	-	
Divestitures	-	-	-	-	
Foreign exchange impact (2)	(13.6)	-	-	-	
Organic revenue on a constant currency basis	<u>\$ 432.7</u>	<u>\$ 28.8</u>	<u>\$ 381.8</u>	<u>\$ 410.6</u>	5%
<b><u>Organic Revenue Constant Currency Excluding Purchase Accounting</u></b>					
Revenue	\$ 487.0	\$ 28.8	\$ 381.8	\$ 410.6	19%
Purchase accounting adjustments	(1.8)	(0.2)	-	(0.2)	
Acquisitions less than a year old	(40.7)	-	-	-	
Divestitures	-	-	-	-	
Foreign exchange impact (2)	(13.6)	-	-	-	
Organic revenue on a constant currency basis excluding purchase accounting adjustments	<u>\$ 430.9</u>	<u>\$ 28.6</u>	<u>\$ 381.8</u>	<u>\$ 410.4</u>	5%

(1) 2007 is presented on a combined basis and includes the successor period from September 25 through September 30, 2007 and the predecessor period from July 1 through September 24, 2007.

(2) Foreign exchange impact represents the difference between actual 2008 revenue and 2008 revenue calculated using 2007 exchange rates.

## **Notice to Investors, Prospective Investors and the Investment Community; Cautionary Information Regarding Forward-Looking Statements**

Statements in this presentation regarding First Data Corporation which are not historical facts are forward-looking statements. You can identify forward-looking statements because they contain words such as “believes,” “expects,” “may,” “will,” “should,” “seeks,” “intends,” “plans,” “estimates,” or “anticipates” or similar expressions which concern our strategy, plans, projections or intentions. All statements we make relating to revenue, EBITDA, earnings, margins, growth rates and other financial results for future periods are forward-looking statements. All forward-looking statements are inherently uncertain as they are based on various expectations and assumptions concerning future events and they are subject to numerous known and unknown risks and uncertainties which could cause actual events or results to differ materially from those projected. Important factors upon which the Company’s forward-looking statements are premised include: (a) no adverse impact on the Company’s business as a result of its high degree of leverage; (b) timely, successful and cost-effective consolidation of the Company’s processing platforms and data centers; (c) continued growth at rates approximating recent levels for card-based payment transactions and other product markets; (d) successful conversions under service contracts with major clients; (e) successful and timely integration of significant businesses and technologies acquired by the Company and realization of anticipated synergies; (f) timely, successful and cost-effective implementation of processing systems to provide new products, improved functionality and increased efficiencies; (g) continuing development and maintenance of appropriate business continuity plans for the Company’s processing systems based on the needs and risks relative to each such system; (h) absence of further consolidation among client financial institutions or other client groups which has a significant impact on Company client relationships and no material loss of business from significant customers of the Company; (i) achieving planned revenue growth throughout the Company, including in the merchant alliance program which involves several joint ventures not under the sole control of the Company and each of which acts independently of the others, and successful management of pricing pressures through cost efficiencies and other cost-management initiatives; (j) successfully managing the credit and fraud risks in the Company’s business units and the merchant alliances, particularly in the context of the developing e-commerce markets; (k) anticipation of and response to technological changes, particularly with respect to e-commerce; (l) attracting and retaining qualified key employees; (m) no unanticipated changes in laws, regulations, credit card association rules or other industry standards affecting the Company’s businesses which require significant product redevelopment efforts, reduce the market for or value of its products or render products obsolete; (n) continuation of the existing interest rate environment so as to avoid unanticipated increases in interest on the Company’s borrowings; (o) no unanticipated developments relating to previously disclosed lawsuits, investigations or similar matters; (p) no catastrophic events that could impact the Company’s or its major customer’s operating facilities, communication systems and technology or that has a material negative impact on current economic conditions or levels of consumer spending; (q) no material breach of security of any of the Company’s systems; (r) successfully managing the potential both for patent protection and patent liability in the context of rapidly developing legal framework for expansive software patent protection and other risks that are set forth in the “Risk Factors” and “Management Discussion and Analysis of Results of Operations and Financial Condition” sections of the Annual Report on Form 10-K for the period ended December 31, 2007, and Quarterly Reports on Form 10-Q for the periods ended March 31, 2008, June 30, 2008 and September 30, 2008 filed by First Data with the Securities and Exchange Commission.