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PRESENTATION

Operator

Good day, and welcome to the Worldpay First Quarter Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Nathan Rozof, Head of Investor Relations. Please go ahead, sir.

Nathan A. Rozof - *Worldpay, Inc. - Senior VP of IR*

Thank you. Good morning to everyone in the U.S., and good's afternoon to those of you in the U.K. Thank you for joining us today for Worldpay, Inc.'s First Quarter 2018 Financial Community Conference Call. By now, everyone should have access to our first quarter 2018 earnings announcement, which we have filed as an 8-K in the U.S. and released via RNS in the U.K. The 8-K filing also includes the slide presentation that we'll refer to on today's call. These documents can be found at Worldpay.com in the Investor Relations section.

I'd like to direct your attention to the safe harbor statement and other required statements on Page 2 of our presentation. Our discussion today will include forward-looking statements. These forward-looking statements are not guarantees of future performance, and therefore you should not put undue reliance upon them. These statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from what we expect. Additional details concerning our business risks and the factors that could cause actual results to materially deviate from our forward-looking statements can be found in the forward-looking statement disclosure in today's earnings release and in the 8-K we have filed today with the U.S. Securities and Exchange Commission.

Also, throughout this conference call, we'll be presenting non-GAAP and pro forma financial informations, including net revenue, adjusted EBITDA and adjusted net income and adjusted net income per share. These are important financial performance measures for the company, but are not financial measures as defined by GAAP. Reconciliations of our non-GAAP pro forma financial information to the GAAP financial information are presented on Schedule 2 of our earnings release.

Turning to Slide 3. During today's call, Charles Drucker, our Executive Chairman and co-CEO, will discuss highlights from the quarter and provide an integration update. Philip Jansen, our co-CEO, will describe Worldpay's unique ability to harness the key trends driving growth across the global payments market; and Stephanie Ferris, our CFO, will review our first quarter financial results and provide our outlook for the second quarter and full year 2018. After that, Charles will provide some closing remarks and we will open the call for questions. With that, I'll turn the call over to Charles Drucker, who'll begin his comments on Slide 4. Charles?

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

Thank you, Nate, and thanks to everyone for joining the call today. We closed the Vantiv and Worldpay transaction on January 16, and it's been a great pleasure to announce our first quarter results as a combined company and update you on the progress we have made bringing our company together. Together, we have created the new leader in global integrated omnicommerce. We continue to create shareholder value by executing on a business model that can sustain high single-digit rates of revenue growth with upside from revenue synergy opportunities.

We started the year strong delivering on our commitments as our first quarter results exceeded our expectations. Together, we generated net revenue of $851 million in the first quarter. As reported, net revenue increased 81% as compared to Vantiv's prior year results, primarily due to the benefit of Worldpay acquisition. On a pro forma basis, the underlying performance of that business was equally strong. (inaudible) old Worldpay in both the current and prior periods by combined net revenue growth would have been 12%, demonstrating the strength of the underlying business momentum.

Each of our segments performed well in the first quarter. Growth in our Technology Solutions segment was particularly robust growing well above 20% on a pro forma basis. In addition, we have several exciting new wins this quarter including leading restaurants, retailers, airlines and financial institutions, all of which I will discuss in a few moments.

Our integration is progressing according to the plan. We generated $10 million in cost synergies during the first quarter, as we got off to the blocks quickly to begin combining our 2 companies. As a result, we generated adjusted net income per share of $0.81 in the first quarter, up 19% year-over-year, which also exceeded our expectations. Based upon our strong first quarter performance, we are increasing our guidance for the full year, raising our net revenue range by $10 million and our adjusted EPS range by $0.05.

It's rewarding to see our companies come together with strong executions out of the gate. It reinforces the rationale for our transaction and increases our confidence for the future. Therefore, Philip and I would like to thank all of our colleagues for their teamwork and dedication to delivering the promise of the new Worldpay.

Turning to our segment performance on Slide 5. You can see in the quarter, our continued strong business momentum in each of our segments, based on the strong revenue performance as well as our new wins and renewals that we're happy to announce this quarter.

Touching first on revenue. Growth in our Technology Solutions segment accelerated to 29% on a pro forma basis, driven by strong growth across both eCommerce and Integrated Payments, which each posted similar 20-plus percent growth in the quarter. Our Merchant Solutions segment and Issuers segment also performed well and exceeded our expectations. Merchant Solutions grew 5% on a pro forma basis, reflecting robust consumer spending across the U.S. during the first quarter. Issuer Solutions declined 4%, slightly better than our mid-single digit expectations as the underlying trends in the business remain healthy. Given our continued confidence that Issuer Solutions will return to growth in the back half of the year as we've previously discussed. Beyond the top line number, our momentum with our clients also remain very strong across the entire company, as shown by our several new wins and key renewals that I'll highlight on this Page.

Within global eCommerce, we won IDT Telecom, which is the industry leader in prepaid communication as well as Paddy Power Betfair, PLAY-ASIA.com and Supernova. We also won leading airlines including a multiyear contract for global eCommerce with Qantas. We have continued success in the restaurant vertical where I'm pleased to announce that Hotel Chocolat, Marston's and Penn Station selected Worldpay for payment services. Hotel Chocolat sells luxury chocolates and gifts at over 100 shops and cafés and restaurants globally. Marston is a well-known brewery and pub operating with over 1,500 locations across the U.K. and Penn Station is a quick service restaurant with over 300 locations in the U.S. In addition to these 3 wins, Dominos also chose to extend their relationship where we provide them with innovative suite of omnichannel payment solutions.

Turning to retail. We won Next, which operates more than 500 stores in the U.K. and another 200 globally. I'm also happy to announce that we signed Reiss, which is an influential fashion retailer in the U.K. In our Issuer Solutions segment, we won new and renewed important relationships with several companies. And finally, we continue to expand our breadth of distribution across multiple sales channels. For example, I'm excited to announce that Lightspeed has joined us as our strategic partner in Integrated Payments. Lightspeed is the leading omnichannel point-of-sale company with more than 50,000 retail and restaurant customers globally. Arvest selected us as their exclusive merchant bank provider for its more than 250 branches in the U.S. and Citizens Bank renewed our strategic referral and sponsorship relationship demonstrating the strength of our joint commitment to building long-term connections with our partners and clients.

Turning to Slide 6. I'd like to point out that these impressive results reflect the chemistry of our people who are coming together across the enterprise from both our heritage companies to collaborate and share new ideas. Even prior to the closing of our transaction, our senior leaders from both companies met for several planning sessions in order to drive alignment and clarity across our company. As a result, we are executing against a detailed integration plan that has enabled us to hit the ground running on day 1. Our team is fully aligned across our objectives and we remain highly confident in our ability to achieve our cost synergy targets. We made significant progress in integrating our U.S. and global eCommerce business during the first quarter. In the U.S., we combined our salesforce into a single team and successfully migrated hundreds of heritage Worldpay U.S. clients on to Vantiv's highly scaled U.S. platform. We will begin the first wave of full-scale client migration this summer and we continue to expect to complete our integration in the first half of 2019.

On the revenue side, I'm also pleased with our progress in global eCommerce where we expect to generate a significant portion of our revenue synergies. We set up a global strategic solution team, which is building our pipeline of clients that will pave the way for revenue synergies in the second half of next year. As I mentioned, it's rewarding to see our companies come together with strong execution out of the gates. I see the activity across the company in highlights to me and we are going to do more together and either of us would've been able to do on our own. This is a tremendously exciting time in the payments with changes creating new opportunities for growth. Now I'd like to turn the call over to Philip to discuss these opportunities and how together we were uniquely positioned to win. Philip?

Philip E. R. Jansen - *Worldpay Limited - CEO & Director*

Thank you, Charles. Let me first add my appreciation to our colleagues. Their optimism and eagerness to embrace the vision of our newly combined company is both gratifying and truly inspiring. Our strong financial results and early success as a combined company are a direct outcome of our strategy and our people. This strategy is to build on our core strengths while continuing to expand into high-growth channels and verticals.

As shown on Slide 8, we are a leading global technology company in the large and rapidly growing payments industry. We seek to win share by using our data to identify the fastest growing path of the market and we expand aggressively into those areas, either organically or through M&A. We've done this repeatedly, expanding into eCommerce, Integrated Payments, B2B as well as new fast-growing geographies and every time we leverage our key strengths, our technology, our distribution and our scale to further accelerate our growth in these already fast-growing parts of the market, all while generating superior financial returns.

It's important to understand that there are 3 key trends that are driving so much growth across the global payments industry and these are: first, globalization; second, eCommerce and mobile; and third, the move to Integrated Payments. Worldpay is in a truly unique position to harness each of these trends to generate sustainable above-market rates of growth.

As we show on Slide 9, the global payments market is huge and growing rapidly and electronic payments continue to steadily replace cash and checks worldwide. Individually, we started off as natives in the U.S. and Europe. New Worldpay is uniquely placed to benefit from increased globalization with an unrivaled geographic footprint in the rest of the world. Together, we are the legal leading global acquirer giving us the ability to benefit from secular expansion in the entire worldwide market. Specifically, we continue to make progress in markets like Asia and LatAm regions that are growing even faster in the payments market as a whole, which builds on our strategy to pursue areas of high growth. The primary way that we will do this is eCommerce and mobile, which is also fueling the second wave of growth of payments.

As you can see on Slide 10, eCommerce volumes are projected to double by 2020, growing in the high teens as consumer spending continues to shift online. And cross-border eCommerce, we expect to grow nearly twice as fast as the broader eCommerce market, growing approximately 25%

per year. Here, as Charles mentioned, we are stronger together than either of us are on our own. Together, we are the #1 player in the fastest-growing eCommerce segment that is cross-border eCommerce where we pair Worldpay's global breadth with Vantiv's strength in the U.S. to create a unique global solution. The final secular trend is revolutionizing payments is Integrated Payments. The value proposition that integrated point-of-sale devices bring to businesses of all sizes is undeniable. These systems allow companies to automate their entire operations, from order taking inventory to clock-in and clock-out for employees or seamlessly tied to the general ledger and with embedded payments. This technology will continue to expand globally from the U.S. to new markets across the world, as businesses inevitably embrace technology and we will expand with it. Vantiv's heritage is the leader in Integrated Payments as shown on Slide 11. Our superior distribution network of developers, partners and verticals has enabled us to win in this market by providing Integrated Payment solutions to SMBs at the point-of-sale in the U.S. We really are ideally placed to grown with our partners into new geographies as our clients embrace this technology around the world.

Now before I turn it over to Stephanie, let me say in summary that I feel extremely positive about our opportunity to generate substantial revenue synergies. Our clients understand the promise of the new Worldpay and every client with whom we have spoken to is excited to gain access to the capabilities that together we are bringing to the market. As Charles mentioned, we're already building a pipeline, but we will need some time to complete the integration, particularly for global eCommerce. Therefore, we continue to expect to see these revenue synergies to begin to flow through in the second half of 2019. With that, I will now hand over the call to Stephanie, who will review our financial performance and discuss our outlook for the second quarter and the full year. Stephanie?

Stephanie Ferris - *Worldpay, Inc. - CFO*

Thank you, Philip, and thanks, everyone for joining the call. As Charles and Philip noted, we had a very strong quarter that continues to demonstrate the strength of our financial model. Before I get into the details of the first quarter's performance, let me briefly review the aspect of our business model that give Worldpay such an attractive financial profile as outlined on Slide 13. Our revenue stream is highly recurring. Our contracts are long term in nature and are with a diverse client base. This gives us a very high degree of visibility and predictability. In addition, approximately 40% of our revenue and growing is from our rapidly expanding Technology Solutions segment creating a clear path to sustainable growth. As a result of our significant scale, we enjoy operating leverage and inherent cost efficiency, which we've historically and will continue to enhance through synergies from M&A. Finally, our business generates significant free cash flow. Our high rate of free cash flow conversion provides us with the flexibility to strategically deploy capital and to reinvest into high-growth businesses.

Now turning to Page 14. As Charles mentioned, we began the year with another strong performance, exceeding our expectations for net revenue and EPS in the first quarter and leading us to raise our full-year guidance to reflect this outperformance. On a reported basis, net revenue grew 81% to $851 million. Adjusted net income grew 76% to $237 million and adjusted net income per share grew 19% to $0.81. These exceptional growth rates included our Worldpay acquisition, which closed on January 16, 2018. When looking at the numbers on a pro forma basis, as if our transaction with Worldpay had closed on January 1 of last year, the results are similarly impressive. Net revenue grew 12% on a pro forma basis this quarter including 300 basis points of currency benefit. This exceeded our expectations both before and after currency. All of our segments did better than expectations but growth in Technology Solutions was particularly strong at 29% on a pro forma basis including 400 basis points benefit from currency. This trend spanned both eCommerce and Integrated Payments giving us continued confidence in our forecast for Technology Solutions to grow mid-to-high-teens for the remainder of the year.

Merchant Solutions net revenue grew 5% on a pro forma basis to $466 million. Net revenue in the Merchant Solutions segment benefited by 4 basis points from currency. As Charles mentioned, our Merchant Solutions growth reflect strong consumer spending in the U.S., partially offset by weaker economic conditions in the U.K. We expect these underlying trends to continue and forecast low single-digit rates of growth in Merchant Solutions for the remainder of the year.

Issuer Solutions declined by 4% on a pro forma basis. Underlying trends remained healthy and we continue to expect this segment to return to low single-digit rate of growth in the second half of this year once we lap the deconversion of Capital One. Adjusted net income expanded by 26% on a pro forma basis growing faster than revenue as we benefited from a combination of $10 million in cost synergies as well as lower-than-expected interest expense. We were able to achieve the cost synergies primarily through the elimination of duplicate common company costs and other overlapping corporate overhead expenses during the quarter.

Interest expense came in slightly better than anticipated as we finalize our financing for the Worldpay transaction during the quarter. As a result, we now expect to incur approximately $340 million to $350 million in interest expense for 2018, or approximately $85 million to $95 million per quarter for the final 3 quarters of the year. Rounding out my discussion of expenses, depreciation and amortization expense including the amortization of intangibles was $34 million consistent with our expectation. We continue to expect to incur approximately $165 million to $175 million in depreciation and amortization expense excluding intangibles amortization for the full year of 2018. Our adjusted tax rate was 10%, as we benefited from seasonality. Please recall that our tax adjustment, including those related to TRA, typically remain consistent on a dollar basis each quarter, creating seasonality as pretax income client throughout the year. We continue to expect to generate an adjusted tax rate of 13% on a full year basis.

Turning to Slide 15. Based on the current business and transaction trends, we now expect to generate 2018 net revenue of $3.81 billion to $3.90 billion. Please also note that these expectations exclude net revenue related to the stub period from January 1 through January 15, 2018, prior to the transaction close on January 16, 2018. We continue to be focused on execution and disciplined expense management. As I mentioned, we realized cost synergies of approximately $10 million during the first quarter and we remain confident in our ability to deliver $45 million of cost synergies this year. We are therefore also increasing our guidance for adjusted net income per share to a range of $3.71 to $3.81 for the full year of 2018. This $0.05 increase primarily reflects our outperformance in the first quarter as well as lower interest expense expectations for the remainder of this year. And we lay out the rest of our guidance assumptions on the bottom of the slide. Turning to our guidance for the second quarter, we expect to generate net revenue of $960 million to $980 million, representing growth of 6% to 8% on a pro forma basis. In terms of adjusted net income per share, we expect to earn approximately $0.93 to $0.96, representing growth of 12% to 16% over 2017. And with that, I'll pass the call back over to Charles for his concluding remarks before we open the call up to Q&A. Charles?

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

Thanks, Stephanie. I'd like to conclude with several key points: first, our Technology Solutions segment is performing extremely well. 29% growth is exceptional. I'm excited to see our strong business momentum across our segments and geographies and many new wins and renewals are gratifying. We're pleased that our clients chose us and I know that we will do everything whatever it takes to earn their business every -- each and every day. Our integration is progressing very well and I am highly confident in our ability to continue to achieve our projected synergies. As I mentioned earlier, it's encouraging to see how quickly our companies are coming together and how well our colleagues are working together. All these factors keep me excited about the future. The products and solutions that we'll bring to the market together will enable us to really move the needle and to generate revenue synergies next year as Philip mentioned. Finally, for all of you on the line, thank you for taking the time this morning to listen to our earnings call. And with that, operator, we'd like to open up the call for questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) We'll take our first question from Dan Perlin with RBC.

Daniel Rock Perlin - *RBC Capital Markets, LLC, Research Division - Analyst*

I wanted to just drill down a little bit on what you guys are seeing in the market from a competitive perspective? Now you're together, you're obviously having more in-depth conversations with kind of multinational clients, and there's clearly some competitors out there that are making some noise as well. So I just wanted to get a sense of what you are -- what these conversations are like and then when we could expect, maybe some announcements that would be really the connective tissue between both like the Vantiv and Worldpay combined?

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

Yes, so I think our focus has been initially on the global eCommerce side, and we're getting very good traction with our clients. I think clients looking to have someone who has the reach in the solution that we can bring is extraordinarily positive. Obviously, we have some other competitors out there, but we feel we're very strongly positioned, and clients, we are looking for someone that have that geographical reach. As far as -- Philip?

Philip E. R. Jansen - *Worldpay Limited - CEO & Director*

Yes, the only thing I'd add is I think the combination of the 2 companies has given us a unique opportunity to go and talk to our customers and really understand as deeply as we possibly can what their aims might be for the next few years. So I think it's allowed us to get a deeper understanding of what they might want over a few years, and we're making sure we're developing against that. So it's been very, very helpful to us to almost have a reset with our last customer. So where do you think the market might be going from your perspective, what are you looking for and how does the competitive dynamics work from your perspective? And so that's all fed into our integration work and our technology road map to make sure that what we're delivering over the course of the next few years is on the money for these key customers. So it is actually very helpful.

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

And I would say that the dialogue has started and we're often talking to our clients, so the back half of the year, I think you can expect to see wins to set us up for next year.

Daniel Rock Perlin - *RBC Capital Markets, LLC, Research Division - Analyst*

Just a quick follow-up, the cost synergies, certainly encouraging to see them already happening, it's in million. Charles, I thought you -- I heard you say something about your expectations for the U.S. platform will be consolidated by the first or the second quarter of 2019? I just wanted to confirm that.

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

Yes, first quarter '19, yes.

Daniel Rock Perlin - *RBC Capital Markets, LLC, Research Division - Analyst*

Okay. And how much of that is part of the U.S. harmonization strategy that you had talked about, which I think about 63%?

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

That's a complete. So we moved clients and we're going to do that in waves and in the first half of '19, we'll have a completely -- our expectation is to have it completely done and have the platform shutdown, everything on our platform. We have a lot of good people that have done this before and driving very well.

Operator

Our next question comes from Tien-tsin Huang with JP Morgan.

Tien-tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Very stable growth here. Just on the technology side, still 20-plus percent. I think you said, Stephanie, mid-to-high teens for the year. Anything specific there that might drive that deceleration? It sounds like there's some backlog of wins. Wondering how retention is going?

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, Tien-tsin, so this segment continues to do really, really well for us, the combination of both wins and secular growth in eCommerce where we're positioned really well. Nothing specific in terms of the guidance being very consistent with our expectations around this segment being mid-to-upper-teens in terms of our expectation for outlook. So nothing specific there.

Tien-tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

And then on the integrated side, are you -- I'm curious, Lightspeed is a win, for examle, are you winning more exclusive deals? Or do you find that you're giving at it as an alternative provider in some of the wins and the respective conversations that you're having?

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

I was thinking most of the deals aren't per se exclusive, but when the provider chooses someone, they're choosing them -- so the choices aren't necessarily just for a backup. It's for the -- they believe that we're the destination. But typically, they're not -- they want to have a multiple-choice, when they're opting a software. So when we talk about wins, we expect to get a substantial share of the clients. We don't expect to just be a secondary backup. So when we talk about the wins, that's our expectations. But it's typically not exclusive, but our products, the way we take care of our clients, actually stand us apart.

Tien-tsin Huang - *JP Morgan Chase & Co, Research Division - Senior Analyst*

Forgive the third last quick question. The second quarter, what's the implied constant currency sort of pro forma growth that you have for 2Q, just want to make sure I get the constant currency right and if there's anything unusual in 2Q to consider on revenue?

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, yes, no problem. So we haven't changed our expectations around constant currency. We've kept them there and this is exactly consistent with when we guided for the fourth quarter, which is about a $1.35 exchange rate with respect to the pound and the dollar, so no change from how we guided at the -- in the fourth quarter.

Operator

Our next question comes from Dave Koning with Baird.

David John Koning - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research and Senior Research Analyst*

And I guess -- first of all and just I guess what Tien-tsin was asking I think on -- Q1 last year was about $909 million and then you still have a little bit of Paymetric and a little FX. So it looks like Q2 growth is only like 3% to 5% organic constant currency. Is that just conservatism or is there something that's slowing a little bit in Q2?

Stephanie Ferris - *Worldpay, Inc. - CFO*

No, I don't think anything is slowing from a net -- are you talking about net revenue?

David John Koning - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research and Senior Research Analyst*

Yes, yes.

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, I mean, we would see the guidance as 6% to 8% net revenue growth guide, nothing specific there. Again, I think it's by virtue of the Technology Solutions pressing really strong, outpaced growth in the first quarter above 20% and then keeping our guidance within expectations for that segment of mid-to-upper-teens. So again, nothing specific driving that guide there, but just being very consistent around our expectations for this segment.

David John Koning - *Robert W. Baird & Co. Incorporated, Research Division - Associate Director of Research and Senior Research Analyst*

Okay, great. And then I guess secondly, just the cash flow statement and kind of moving parts in the first quarter of an acquisition. Free cash flow looked a little below earnings but is that just minutia of the first quarter and do you expect it to be like reasonably close on an adjusted basis for the year?

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, we do, we do. We did see a slightly lower free cash flow in first quarter, because of all the expenses associated with the acquisition. We would expect it to continue to expand throughout the year.

Operator

Our next question comes from George Mihalos with Cowen and Company.

Georgios Mihalos - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Is it possible maybe to take a bit of a deeper look at the Technology Solutions piece and sort of what drove that upside, maybe any commentary you could provide around acceleration in eCommerce versus the Integrated Payments?

Stephanie Ferris - *Worldpay, Inc. - CFO*

Maybe I'll start with the numbers and then if Charles and Philip want to add in quantitatively. Look, both of the segments as you guys know benefit from the strong secular growth as well as our ability to continue to win. Both of them experienced very strong growth, one is not outpacing the other in terms of either new business wins or organic secular card growth. Really strong growth coming out of both of them. As you know, the segment's about half and half, so we are really pleased with the results of both channels there.

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

I will just echo that. We're pleased and I think -- a lot -- the credit goes to the strong group. So we have the leadership in that, that over the course of, even through the distractions that have come through, they've been able to focus on their clients, bringing product and revenue, the implement on clients and I think we're just proud to have a leadership team through all the noise that happens when a merger occurs.

Philip E. R. Jansen - *Worldpay Limited - CEO & Director*

And then the -- it's Philip here. From a global eCommerce point of view, I think as we've always said, there are some ups and downs in the way the volumes occurs so within individual clients and clusters of clients around certain segments. So there are clients who have high-volume events and those -- so they span across the year and might land in certain courses by definition. So we're very pleased with the strong first quarter and looking forward, we feel good about the growth rates in eCommerce and Integrated Payments.

Georgios Mihalos - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

It sounds it's -- like it's pretty broad based. And then just 2 quick ones if I can sneak them in. One, just the performance in the U.K. I think there were some commentary around that still being weak, but if we can kind of get a sense of how it performed relative to your expectations and maybe the prior quarter? And then just the revenue upside in 1Q, it didn't seem to flow through down on the EBITDA side, the sales and marketing expenses were elevated. Just any commentary around that would be helpful.

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, happy to. So in terms of the U.K., as you know, our expectations for the U.K. coming out in the fourth quarter [leads] out there continue to be pretty modest from growth rates perspective, so the U.K. on a constant currency basis declined 3% in the fourth quarter. We're seeing same type of low single digit declines in the first quarter and are expecting that to continue throughout the rest of the year given the macroeconomic conditions in the U.K. So aren't -- don't see a recovery there. Our expectations for the rest of the year continue to be in line with how we set the guide. I thought I -- can you repeat the sales and marketing question?

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

EBITDA.

Georgios Mihalos - *Cowen and Company, LLC, Research Division - MD & Senior Research Analyst*

Just the -- if we look at the big revenue outperformance, it didn't seem to flow through on the EBITDA side. It looked like sales and marketing expenses relative to what we were expecting were a little higher. Just -- maybe any sort of color around that.

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, so interestingly, we felt like it did flow through, I mean in terms of margins, we're seeing 120 basis points of margin expansion being driven by both the outside performance in the Technology Solutions segment as well as the $10 million of synergy. So not exactly sure how you modeled that but I didn't see sales and marketing expanding beyond our expectations.

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

Yes, so just to be clear, right, as we are looking at adjusted EBITDA margins, we're comparing it to the pro forma combined company of last year like as obviously, there is a margin differential between the 2 heritage companies and together on a pro forma combined basis, to Stephanie's point, we drove about 120 basis points of margin expansion for adjusted EBITDA consistent with strong cost synergies that the team laid out.

Operator

Our next question comes from Gerardus Vos with Barclays.

Gerardus Vos - *Barclays Bank PLC, Research Division - Senior Analyst*

Two, if I may. Just -- first of all just coming back on the kind of U.K., would you expect any kind of benefit from the scheme repricing, I think you have announced the second half of this year? And then just also wanted to come back to the operational kind of performance. If I look at the kind of guidance then I think you guide now to 2.5% less share count for the full year, around $10 million to $20 million less interest cost. I get to around $0.14 to $0.15 uplift in my net EPS, obviously the guidance was only (inaudible) kind of $0.05. It looks like an operational kind of downgrade to the numbers, I'm just trying to understand where that's coming from or if my math is somewhat wrong here.

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, I'm happy to help. So in terms of the U.K., the scheme repricing has been in our plan in terms of how we thought about the year coming into the fourth quarter and continue on in the first quarter. So don't expect uplift from expectations for that. But the team continue to execute upon that. Don't believe that to be a risk in any way for our 2018 expectations. In terms of EPS, the way we thought about it, Gerardus, is -- I'm happy to go offline if you want to get more specific, delivered outperformance in the first quarter of about $0.02 to our expectation primarily related to a bit of business outperformance, but also benefit in interest expense. We continue to expect those benefits in interest expense to roll forward about $0.01 a quarter. So we took the $0.02 outperformance in the first quarter plus the $0.03, $0.01 each quarter for interest expense and thought about a raise of $0.05. It necessarily downgrade any operating performance per se in our expectations around that.

Gerardus Vos - *Barclays Bank PLC, Research Division - Senior Analyst*

Okay, and then maybe just a follow-up and what is the increase related to the low share count in the guidance?

Stephanie Ferris - *Worldpay, Inc. - CFO*

I'd have to come back to you on that. I got to look at that, specifically what you're talking about the low share count.

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

I think we do that as rounding around the edges or what we can follow-up.

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, we can follow-up.

Operator

Our next question comes from David Togut with Evercore ISI.

David Mark Togut - *Evercore ISI, Research Division - Senior MD, Head of Payments, Processors & IT Services Research and Fundamental Research Analyst*

Historically, you provided some breakout at least in heritage U.S., and heritage Vantiv on transaction growth and revenue per transaction, which was 6% trans growth and 11% growth in rev for trans in 4Q. I realize you're breaking things out differently now, but if you could give us some insight into what you're seeing in terms of revenue per transaction in the U.S. business and transaction growth, that will be helpful.

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, we didn't -- we don't specifically break out transactions, I can give you qualitative view towards it. So in the U.S., we continue to see mid-single-digit transaction growth. Remember, we have a lion share of large merchants there and we continue to see revenue per transaction expand in the U.S., as we continue to see the merge down in terms of continuing to take share in the SMB. So didn't see those trends change from where we -- heritage Vantiv has been historically. It continue to drive revenue increases as we march down and take more share in the SMB space.

David Mark Togut - *Evercore ISI, Research Division - Senior MD, Head of Payments, Processors & IT Services Research and Fundamental Research Analyst*

Understood. And then Philip, if I could ask you a question on how you see the European payments markets changing ahead of PSD2. It seems like there's a lot of consolidation occurring now with the leading PSP Trustly recently being acquired. How do you feel that Worldpay is positioned ahead of PSD2? And are there any additional steps you need to take to prepare the company for consumer ACH payments for eCommerce?

Philip E. R. Jansen - *Worldpay Limited - CEO & Director*

Yes, I think, as you rightly say, the European market continues to see the trends that we experienced over the last few years where payment providers coming out of banks consolidation and new payment methods beginning to come up across different parts of the region. I think PSD2 will only accelerate that even further, particularly on the last point and that we're going to get more payment methods coming out as a result of PSD2 and specifically the ACH direct payments approach will definitely begin to fly a bit more than it has historically. So we see that from a Worldpay point of view, ideally placed and actually using some of the intelligence from old Vantiv to help us understand how we might attack the market will be very, very useful. So, we're getting ready to make sure in a post-PSD2 world, we can deliver new things to our clients that they simply at the moment can't do.

Operator

Our next question comes from Jim Schneider with Goldman Sachs.

James Edward Schneider - *Goldman Sachs Group Inc., Research Division - VP*

I was wondering if you can may be address -- you talked a lot about the eCommerce cross-sell opportunity and revenue synergies, but can you maybe address the potential for cross-selling the Integrated Payments capability into Europe, what your plans there are? And over what time frame you think that will play out?

Philip E. R. Jansen - *Worldpay Limited - CEO & Director*

It's Philip here. I mean, again, you're doing it in the right way. The number one priority is global eCommerce for large corporates. The combination of the 2 companies gives us a proposition to die for, right? So we're -- that is the number one priority. All the technology efforts are trying to connect the 2 platforms in a way that makes sense for the large customers. That's number one priority. Probably the second, big revenue synergy bucket is Integrated Payments, but it's going to take much longer. Having said that, we've already seen some really positive feedback from existing partners, who -- in the U.S. for old Vantiv and the new Worldpay, who expand across the world. So we're doing that right now. So we're not proactively going out selling it to new partners around the world, but there are plenty of partners who we're already integrated with and connected to, who are -- have aspirations in the U.K. and other parts of Europe and other parts of the world, who we can relatively easily help them grow there even faster. So that's what we're doing and it's a form of testing and understanding how the markets might develop in other parts of the world. I'd see that as a 2- to 5-year view, not a 1- to 2-year view.

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

Just -- Matt Taylor has had very good conversations, so the ones that are on our books, we're going to lean forward quicker and then we'll take a little bit more time for some of the other ones in the market, but we see that as a -- in addition to the eCommerce, just as a tremendous opportunity to help us achieve our revenue synergies in the future.

Philip E. R. Jansen - *Worldpay Limited - CEO & Director*

Yes, I am sure, you know about the actual integrated payments proposition in parts of Europe, for example, is significantly behind where the U.S. is. So we see huge opportunities to grow that market and be the pioneer in it and in parts of Europe and other places.

James Edward Schneider - *Goldman Sachs Group Inc., Research Division - VP*

That's helpful. And maybe as a follow-up, now that you've been integrated for just less than a quarter, I'm sure you've had a lot more time to examine what the cost synergy opportunities might be. Beyond what you identified in terms of the Worldpay U.S. legacy platform transition, can we maybe talk about some of the other programs you are thinking about that could drive potential cost synergies overtime?

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, so I think about synergies specifically, I'll start just with the numbers and then I'll let Charles and Phil talk about it. But as you know, we -- U.S. harmonization is a really big one. We'll start to see that come through at the end of this year and into 2019, expect that to complete in the first half of 2019. That continues to progress really well for us. You're obviously seeing the benefit of the $10 million integration start to come through in terms of overlapping corporate G&A. I think the pieces that we are starting to look at and don't necessarily have specificity around in terms of the actual dollar amounts coming through and when and I've always talked about it being more in the back half thinking about more 2019, 2020. It's how we start to put the global technology and operations groups together, are there opportunities there as we start to become obviously a much larger company in terms of what kind of leverage we have with our vendors given the size and scale. And so those are the types of things that we thought about and continue to focus on with respect to things beyond U.S. harmonization and corporate G&A.

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

And clearly, the progress we've started and made in getting the U.S. platform moving, like Stephanie said, how we go out to vendors and leverage our scale and then also, looking at duplicate type of associations, whether it's VCR, which is a chargeback system, today having to do in a multiple spot, how do we narrow that down? So we think there is -- it gives us very high confidence in our $200 million and as the month -- it's still only a couple of months in the quarter, we'll be focused on how we accelerate and make that U.S., happen. I'm actually just thrilled with the process -- the progress that Mark Heimbouch and the team has really moved forward with the U.S.

Operator

Our next question comes from Ashwin Shirvaikar with Citi.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

Things seem to be on track here. My first question is on corporate allocation priority and the reason I am asking is because in the presentation, there's this comment that you can get to 4x leverage or below in 3 to 6 quarters, which can be end of this year, can be end of next year. And it seems almost like you're more comfortable staying above that 4x leverage range. Can you comment on that? Are there attractive deals or new functionality that you've found that you need? And also perhaps in that context comment on the interest rate sensitivity of what you have.

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, so I'm happy to start and then again, I'll let Charles and Philip follow on. So you're exactly right, Ashwin, our focus right now with respect to cash flow is to delever down to below our growth leverage ratio 4x. We have expectations to do that as quickly as possible. We've given ourselves the leeway and leverage to be able to do that, like you said into mid-next year 2019. Given the cash flow expectations of the company though, could we get there sooner, we're absolutely focused on it and it's our commitment to delever there quickly. In terms of interest rate -- and I'll let Charles talk about, where we might be interesting in using leverage beyond once we get below (inaudible). In terms of interest rate sensitivity recently about 15% fixed-to-floating, I think we've been fairly conservative in terms of expectations around interest rate hike. We continue to look at that fixed-to-floating rate percentage and look at whether we should be increasing it. But I do think anything we would do there is adequately baked in the interest expense forecast at this point, so we feel pretty good about even with the expectations around interest rates increasing is not impacting our revised guidance here. So with that, I'll turn it over to Charles and Philip to talk about capabilities.

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

I would say we feel good about all the capabilities in the market that we're currently going after, especially with pay metrics on the B2B side. We talked about going into the SMB for card-not-present. And in that space where we have capabilities, we could look at accelerating capabilities in the future once we start to pay down debt as we described to help accelerate us into the card-not-present SMB market, would be an area that we would look at and then we look in verticals -- new verticals down the line. But right now, the features and functions we have and it's about if there's an opportunity to accelerate into small merchant card-not-present.

Ashwin Vassant Shirvaikar - *Citigroup Inc, Research Division - Director and U.S. Computer and Business Services Analyst*

What percent of eCommerce for you guys currently is cross-border? And can you either keep pace with the indicated market trends in your presentation to double it in 3 years? Or can you talk about cross-border, because it obviously has implications on relative profitability?

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, I'm not going to again give numbers and I'll let Philip jump in, in terms of our ability to keep pace, et cetera. Obviously, the ability to do cross-border is a huge value proposition for us on the global eCommerce segment. The majority of our, I think about (inaudible) of our revenue does come from the ability to do cross-border transactions and so -- and we continue to see a lot of secular growth there, so very strong secular growth transactions in the revenue accordingly.

Philip E. R. Jansen - *Worldpay Limited - CEO & Director*

Yes, the only thing that I'll add is, I mean, the proposition to be able to offer cross-border payments for large global clients from an eCommerce perspective is our core proposition, right? And as Stephanie said, the majority of that comes from that connectivity. The challenges -- and I think we've got no problem keeping up with the growth rate. That's not a challenge. The challenge is to make sure that we are going at the rate and delivering the returns that we want. So what we target is profit pulls. So when we're looking at the segmentation of that marketplace geographically cross-border for eCommerce, we are targeting the most complex, the most challenging, the most difficult payment problems for our customers, solving them for them to get them better outcomes and delivering a decent margin return for us. And that's the challenge for us is to make sure that we maintain the growth at the margins we want, and therefore you get that message, which is invest in technology, invest in propositions, get better outcomes, the Golden Triangle of better authorizations rates, lower cost, better fraud and therefore -- and charge the right prices for the value that we're driving. That's our challenge.

Operator

Our next question comes from Bryan Keane with Deutsche Bank.

Bryan Keane - *Deutsche Bank AG, Research Division - Research Analyst*

Wanted to ask about Merchant Solutions. It was better than we anticipated, I believe Moneris' anniversary, so you didn't get any help there and then U.K. was soft. So just thinking maybe U.S. Direct was a bit stronger. Just trying to figure out the moving pieces inside of Merchant.

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, happy to help there. So yes, consistent with probably what you read and where the U.S. consumer is very strong, continues to do very well, inflation across-the-board and price increases across our entire Merchant portfolio were obviously benefiting from that. You're right, the Direct business did beat our expectations modestly, not necessarily in a huge amount there, but the trends, the organic and secular trends were strong for the quarter.

Bryan Keane - *Deutsche Bank AG, Research Division - Research Analyst*

Okay, super. And then just on tax rate. It was a little bit lower in the quarter. It sounds like it's going to come back in the back half of the year. Can you just talk about the moving pieces and what's moving that tax rate around?

Stephanie Ferris - *Worldpay, Inc. - CFO*

Yes, so as I said in the script, the tax rate -- we do expect 13% effective tax rate for the year. That being said, our tax rate adjustments don't move seasonally, so the numbers stay static. So as you think about our pretax earnings being a bit lower in the first quarter and then accelerating in the back half of the year, you're going to see the effective tax rate move back up to that for the full year for 13% effective tax rate.

Bryan Keane - *Deutsche Bank AG, Research Division - Research Analyst*

Okay, but at the end of the day, we're still at 13% for the year, even though it moves up in the back half?

Stephanie Ferris - *Worldpay, Inc. - CFO*

We are -- correct, yes.

Operator

And we will take our last question from Vasu Govil with Morgan Stanley.

Vasundhara Govil - *Morgan Stanley, Research Division - VP*

Just on Integrated Payments. I know you guys have always maintained that the partnership model is what works best for you, but many of your competitors are increasingly moving towards ownership of software, at least in some other verticals. Is that something you guys may consider at some point? Or perhaps as you're pushing to make payments in the U.K. market or are you pretty much sort of married to the partnership model?

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

I would say, we bought Mercury, they created a great model about servicing and working with their clients and in big verticals like the restaurant, the retail verticals, they -- we have the leading share. And for other players to get in, they probably needed to buy in those segments. So in certain segments, this model is working tremendously well for us, as you can see in our results. But we're always left open in the future if there are other type of verticals that are not -- that are more consolidated and there's not as many players where serving many is not the right strategy, we would consider it in other verticals. But in the core verticals that we're in today, we're very committed to add clients and providing them the best service and being a Switzerland roll so they can depend on us not to compete directly against them.

Vasundhara Govil - *Morgan Stanley, Research Division - VP*

Got it. And then as a quick follow-up, there have been some headlines about Amazon Pay going to get aggressive in pushing its digital wallet service to SMBs. Any reaction to that? And in a scenario where Amazon Pay does gain traction, is that a competitive risk to a merchant acquired like Worldpay or is that a transaction where you would still play a role in processing?

Charles D. Drucker - *Worldpay, Inc. - Executive Chairman & Co-CEO*

We saw the same thing with the Amazon Button. The Amazon is an extraordinarily great business in the world. Visa, as we do, we work with Visa and MasterCard, as they develop that aggregate button with tokenization and the card. So we think this is potentially a competitive product. We think this is something -- it's out there brand-new that overtime will take a while and get develop, but we think we'll be well positioned to be able to compete and continue to grow.

All right. Well, with that, that was our last question. If you guys have any additional follow-up questions, please reach out to Ignatius or myself or anyone on our team and we will be happy to help you. Thank you, guys, for joining the call today. Bye-bye.

Operator

Ladies and gentlemen, this concludes today's call. We thank you for your participation. You may now disconnect.