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Global Payments Reports First Quarter Earnings

ATLANTA, October 11, 2010 -- Global Payments Inc. (NYSE: GPN) today announced results for its fiscal first quarter ended August 31, 2010. For the first quarter, revenues grew 7% to \$440.1 million compared to \$409.9 million in the prior fiscal year. Normalized diluted earnings per share from continuing operations were \$0.67 compared to \$0.68 in the prior year (See schedule 2 Normalized income statement).

Normalized first quarter results exclude one-time, pretax expenses consisting of employee termination and relocation benefits, certain start-up costs related to the company's Global Service Center in Manila, Philippines, and a one-time, non-cash write-down of a deferred tax asset due to a legislated tax rate change in the United Kingdom. (See Schedule 4 for reconciliation details).

On a GAAP basis, the company reported fiscal 2011 first quarter diluted earnings per share from continuing operations of \$0.61 compared to \$0.68 in the prior quarter (See Schedule 1 for GAAP income statement).

Chairman and CEO, Paul R. Garcia, stated, "Despite a challenging macroeconomic environment, we delivered solid results and are on target to achieve our full year estimates. Our first quarter results reflect strong growth in the U.S. and Asia Pacific, and we continue to execute our plans for long-term growth and operating leverage in all of our businesses.

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“Based on our current outlook, we continue to expect fiscal 2011 annual revenue of \$1,735 million to \$1,770 million, or 6% to 8% growth over fiscal 2010, and 2011 annual diluted EPS expectations of \$2.68 to \$2.77, reflecting 6% to 9% growth over fiscal 2010 normalized EPS from continuing operations. On a constant currency basis, we expect fiscal 2011 annual revenue growth of 7% to 9% and annual diluted earnings per share growth of 7% to 10% growth over fiscal 2010,” said Garcia.

Conference Call

Global Payments will hold a conference call today, October 11, 2010 at 5:00 p.m. ET to discuss financial results and business highlights. Callers may access the conference call via the company’s Web site at www.globalpaymentsinc.com by clicking the “Webcast” button; or callers in North America may dial 1-888-895-3550 and callers outside North America may dial 1-706-758-8809. The pass code is “GPN.” A replay of the call may be accessed through the Global Payments’ Web site through October 25, 2010.

Global Payments Inc. (NYSE:GPN) is a leading provider of electronic transaction processing services for merchants, Independent Sales Organizations (ISOs), financial institutions, government agencies and multi-national corporations located throughout the United States, Canada, Europe, and the Asia-Pacific region. Global Payments, a Fortune 1000 company, offers a comprehensive line of processing solutions for credit and debit cards, business-to-business purchasing cards, gift cards, electronic check conversion and check guarantee, verification and recovery including electronic check services, as well as terminal management. Visit www.globalpaymentsinc.com for more information about the company and its services.

This announcement and comments made by Global Payments' management during the conference call may contain certain forward-looking statements within the meaning of the “safe-harbor” provisions of the Private Securities Litigation Reform Act of 1995. Statements that are not historical facts, including revenue and earnings estimates and management’s expectations regarding future events and developments, are forward-looking statements and are subject to significant risks and uncertainties. Important factors that may cause actual events or results to differ materially from those anticipated by such forward-looking statements include the following: foreign currency risks which become increasingly relevant as we expand internationally, the effect of current worldwide economic conditions, including a decline in the value of the U.S. dollar, and future performance and integration of recent acquisitions, and other risks detailed in the company's SEC filings, including the most recently filed Form 10-Q or Form 10-K, as applicable. The company undertakes no obligation to revise any of these statements to reflect future circumstances or the occurrence of unanticipated events.

SCHEDULE 1
GAAP UNAUDITED CONSOLIDATED STATEMENTS OF INCOME
GLOBAL PAYMENTS INC. AND SUBSIDIARIES

(In thousands, except per share data)

| | Three Months Ended August 31, | | |
|---|-------------------------------|------------------|----------|
| | 2010 | 2009 | % Change |
| Revenues | \$ 440,138 | \$ 409,932 | 7% |
| Operating expenses: | | | |
| Cost of service | 151,041 | 141,204 | 7% |
| Sales, general and administrative | 206,990 | 179,485 | 15% |
| | <u>358,031</u> | <u>320,689</u> | 12% |
| Operating income | 82,107 | 89,243 | (8%) |
| Other income (expense): | | | |
| Interest and other income | 1,537 | 690 | 123% |
| Interest and other expense | (4,841) | (4,141) | 17% |
| | <u>(3,304)</u> | <u>(3,451)</u> | (4%) |
| Income from continuing operations before income taxes | 78,803 | 85,792 | (8%) |
| Provision for income taxes | (24,981) | (25,536) | (2%) |
| Income from continuing operations | 53,822 | 60,256 | (11%) |
| (Loss) income from discontinued operations, net of tax | (28) | 2,188 | NM |
| Net income including noncontrolling interests | 53,794 | 62,444 | (14%) |
| Less: Net income attributable to noncontrolling interests, net of tax | (4,426) | (4,613) | (4%) |
| Net income attributable to Global Payments | <u>\$ 49,368</u> | <u>\$ 57,831</u> | (15%) |
| Amounts attributable to Global Payments: | | | |
| Income from continuing operations | \$ 49,396 | \$ 55,643 | (11%) |
| (Loss) income from discontinued operations, net of tax | (28) | 2,188 | NM |
| Net income attributable to Global Payments | <u>\$ 49,368</u> | <u>\$ 57,831</u> | (15%) |
| Basic earnings per share attributable to Global Payments: | | | |
| Income from continuing operations | \$ 0.62 | \$ 0.69 | (10%) |
| (Loss) income from discontinued operations, net of tax | - | 0.03 | NM |
| Net income | <u>\$ 0.62</u> | <u>\$ 0.72</u> | (14%) |
| Diluted earnings per share attributable to Global Payments: | | | |
| Income from continuing operations | \$ 0.61 | \$ 0.68 | (10%) |
| (Loss) income from discontinued operations, net of tax | - | 0.03 | NM |
| Net income | <u>\$ 0.61</u> | <u>\$ 0.71</u> | (14%) |
| Weighted average shares outstanding: | | | |
| Basic | 79,597 | 80,554 | |
| Diluted | 80,339 | 81,298 | |

NM - Not Meaningful

SCHEDULE 2**NORMALIZED INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO GLOBAL PAYMENTS**

GLOBAL PAYMENTS INC. AND SUBSIDIARIES

(In thousands, except per share data)

| | Three Months Ended August 31, | | % Change |
|---|---------------------------------|------------------|----------|
| | 2010 Normalized ¹ | 2009 GAAP | |
| Revenues | \$ 440,138 | \$ 409,932 | 7% |
| Operating expenses: | | | |
| Cost of service | 150,445 | 141,204 | 7% |
| Sales, general and administrative | 204,396 | 179,485 | 14% |
| | <u>354,841</u> | <u>320,689</u> | 11% |
| Operating income | 85,297 | 89,243 | (4%) |
| Other income (expense): | | | |
| Interest and other income | 1,537 | 690 | 123% |
| Interest and other expense | <u>(4,841)</u> | <u>(4,141)</u> | 17% |
| | <u>(3,304)</u> | <u>(3,451)</u> | (4%) |
| Income from continuing operations before income taxes | 81,993 | 85,792 | (4%) |
| Provision for income taxes | <u>(23,664)</u> | <u>(25,536)</u> | (7%) |
| Income from continuing operations including noncontrolling interests | 58,329 | 60,256 | (3%) |
| Less: Net income attributable to noncontrolling interests, net of tax | <u>(4,426)</u> | <u>(4,613)</u> | (4%) |
| Net income from continuing operations attributable to Global Payments | <u>\$ 53,903</u> | <u>\$ 55,643</u> | (3%) |
| Basic earnings per share | <u>\$ 0.68</u> | <u>\$ 0.69</u> | (1%) |
| Diluted earnings per share | <u>\$ 0.67</u> | <u>\$ 0.68</u> | (1%) |
| Weighted average shares outstanding: | | | |
| Basic | 79,597 | 80,554 | |
| Diluted | 80,339 | 81,298 | |

¹ Normalized first quarter results exclude a \$2.5 million one-time, non-cash write-down of a deferred tax asset we established in July 2009 when we purchased the remaining 49% of our UK business. The write-down resulted from a legislated reduction to the tax rate of 1%. Results also exclude one-time expenses consisting of employee termination and relocation benefits and \$1.1 million of start-up costs related to the company's Global Service Center in Manila, Philippines.

SCHEDULE 3
UNAUDITED SEGMENT INFORMATION - CONTINUING OPERATIONS
GLOBAL PAYMENTS INC. AND SUBSIDIARIES

(In thousands)

| | Three Months Ended August 31, | | | | | |
|---------------------------------|-------------------------------|---------------------------------------|------------|------------|--|------------------------|
| | 2010 | | | 2009 | | Normalized % Change |
| | Normalized | Non-recurring Charges ¹ | GAAP | GAAP | | |
| <u>Revenues:</u> | | | | | | |
| United States | \$ 255,630 | \$ - | \$ 255,630 | \$ 222,767 | | 15% |
| Canada | 81,213 | - | 81,213 | 81,225 | | - |
| North America Merchant Services | 336,843 | | 336,843 | 303,992 | | 11% |
| Europe | 73,796 | - | 73,796 | 80,467 | | (8%) |
| Asia-Pacific | 29,499 | - | 29,499 | 25,473 | | 16% |
| International Merchant Services | 103,295 | - | 103,295 | 105,940 | | (2%) |
| Total Revenues | \$ 440,138 | \$ - | \$ 440,138 | \$ 409,932 | | 7% |
| <u>Operating Income:</u> | | | | | | |
| North America Merchant Services | \$ 68,368 | \$ - | \$ 68,368 | \$ 75,921 | | (10%) |
| International Merchant Services | 31,393 | - | 31,393 | 28,749 | | 9% |
| Corporate | (14,464) | (3,190) | (17,654) | (15,427) | | 6% |
| Operating Income | \$ 85,297 | \$ (3,190) | \$ 82,107 | \$ 89,243 | | (4%) |

¹ Reflects one-time expenses consisting of employee termination and relocation benefits and \$1.1 million of start-up costs related to the company's Global Service Center in Manila, Philippines.

SCHEDULE 4
RECONCILIATION OF NORMALIZED INCOME FROM CONTINUING OPERATIONS ATTRIBUTABLE TO GLOBAL PAYMENTS TO GAAP

GLOBAL PAYMENTS INC. AND SUBSIDIARIES

(In thousands, except per share data)

| | Three Months Ended August 31, | | | | | Year Ended May 31, | | |
|---|-------------------------------|------------------------------------|-------------------------------|------------|------------|--------------------|-----------------------------------|--------------|
| | 2010 | | | | 2009 | 2010 | | |
| | Normalized | Non-recurring Charges ¹ | Foreign Tax Rate ² | GAAP | GAAP | Normalized | Termination Benefits ³ | GAAP |
| Revenues | \$ 440,138 | \$ - | \$ - | \$ 440,138 | \$ 409,932 | \$ 1,642,468 | \$ - | \$ 1,642,468 |
| Operating expenses: | | | | | | | | |
| Cost of service | 150,445 | 596 | - | 151,041 | 141,204 | 584,609 | - | 584,609 |
| Sales, general and administrative | 204,396 | 2,594 | - | 206,990 | 179,485 | 731,997 | 2,583 | 734,580 |
| | 354,841 | 3,190 | | 358,031 | 320,689 | 1,316,606 | 2,583 | 1,319,189 |
| Operating income | 85,297 | (3,190) | - | 82,107 | 89,243 | 325,862 | (2,583) | 323,279 |
| Other income (expense): | | | | | | | | |
| Interest and other income | 1,537 | - | - | 1,537 | 690 | 4,629 | - | 4,629 |
| Interest and other expense | (4,841) | - | - | (4,841) | (4,141) | (17,519) | - | (17,519) |
| | (3,304) | - | - | (3,304) | (3,451) | (12,890) | - | (12,890) |
| Income from continuing operations before income taxes | 81,993 | (3,190) | - | 78,803 | 85,792 | 312,972 | (2,583) | 310,389 |
| Provision for income taxes | (23,664) | 1,162 | (2,479) | (24,981) | (25,536) | (88,325) | 946 | (87,379) |
| Income from continuing operations | 58,329 | (2,028) | (2,479) | 53,822 | 60,256 | 224,647 | (1,637) | 223,010 |
| Less: Net income attributable to noncontrolling interests, net of tax | (4,426) | - | - | (4,426) | (4,613) | (15,792) | - | (15,792) |
| Net income from continuing operations attributable to Global Payments | \$ 53,903 | \$ (2,028) | \$ (2,479) | \$ 49,396 | \$ 55,643 | \$ 208,855 | \$ (1,637) | \$ 207,218 |
| Diluted shares | 80,339 | - | | 80,339 | 81,298 | 82,120 | - | 82,120 |
| Diluted earnings (loss) per share | \$ 0.67 | \$ (0.03) | \$ (0.03) | \$ 0.61 | \$ 0.68 | \$ 2.54 | \$ (0.02) | \$ 2.52 |

¹ Reflects one-time expenses related to employee termination and relocation benefits and \$1.1 million of start-up costs related to our new Global Service Center in Manila, Philippines which will support customer and operational functions and the related income tax benefit.

² Represents a one-time, non-cash write-down of a deferred tax asset we established in July 2009 when we purchased the remaining 49% of our UK business. The write-down resulted from a legislated reduction to the tax rate of 1%.

³ Termination benefits represent amounts due to our former President and Chief Operating Officer pursuant to his termination agreement dated April 21, 2010 and the related income tax benefit.

We supplemented our reporting of income from continuing operations and earnings per share information determined in accordance with GAAP by reporting income from continuing operations and earnings per share for the three months ended August 31, 2010 on a "normalized" basis in this earnings release as a measure to help evaluate performance. We calculated income from continuing operations and earnings per share on a normalized basis by excluding non-recurring charges related to employee termination and relocation benefits, certain one-time costs related to our new Global Service Center and the legislated tax rate reduction. We exclude the impact of non-recurring charges in order to more clearly focus on the factors we believe are pertinent to the daily management of our operations. Our income from continuing operations and earnings per share reported on a normalized basis should be considered in addition to, and not as a substitute for, income from continuing operations and earnings per share determined in accordance with GAAP. Our measures of income from continuing operations and earnings per share on a normalized basis reflect management's judgment of particular items, and may not be comparable to similarly titled measures reported by other companies.

SCHEDULE 5
CONSOLIDATED BALANCE SHEETS
GLOBAL PAYMENTS INC. AND SUBSIDIARIES
(In thousands)

| | August 31, 2010 (Unaudited) | May 31, 2010 |
|---|-----------------------------------|----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 578,213 | \$ 769,946 |
| Accounts receivable, net of allowances for doubtful accounts of \$384 and \$269, respectively | 150,777 | 131,817 |
| Claims receivable, net of allowance for losses of \$4,618 and \$4,208, respectively | 921 | 664 |
| Settlement processing assets | 43,333 | 13,741 |
| Inventory, net of obsolescence reserves of \$887 and \$908, respectively | 6,731 | 9,740 |
| Deferred income taxes | 4,028 | 2,752 |
| Prepaid expenses and other current assets | 21,266 | 39,604 |
| Total current assets | <u>805,269</u> | <u>968,264</u> |
| Property and equipment, net of accumulated depreciation of \$130,407 and \$119,402, respectively | 202,928 | 183,938 |
| Goodwill | 582,252 | 569,090 |
| Other intangible assets, net of accumulated amortization of \$153,820 and \$145,076, respectively | 202,908 | 205,110 |
| Deferred income taxes | 93,838 | 90,470 |
| Other | <u>21,550</u> | <u>22,454</u> |
| Total assets | <u><u>\$ 1,908,745</u></u> | <u><u>\$ 2,039,326</u></u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Lines of credit | \$ 84,135 | \$ 79,187 |
| Notes payable - current portion | 137,898 | 148,169 |
| Accounts payable and accrued liabilities | 180,059 | 173,575 |
| Settlement processing obligations | 105,686 | 265,110 |
| Income taxes payable | 233 | 6,430 |
| Total current liabilities | <u>508,011</u> | <u>672,471</u> |
| Notes payable | 238,248 | 272,965 |
| Deferred income taxes | 89,858 | 88,265 |
| Other long-term liabilities | <u>35,317</u> | <u>31,436</u> |
| Total liabilities | <u>871,434</u> | <u>1,065,137</u> |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | 105,154 | 102,672 |
| Shareholders' equity: | | |
| Preferred stock, no par value; 5,000,000 shares authorized and none issued | - | - |
| Common stock, no par value; 200,000,000 shares authorized; 82,414,198 issued and 79,686,461 outstanding at August 31, 2010 and 82,028,945 issued and 79,646,055 outstanding at May 31, 2010 | - | - |
| Treasury stock, 2,727,737 and 2,382,890 shares at August 31, 2010 and May 31, 2010, respectively | (112,980) | (100,000) |
| Paid-in capital | 462,874 | 460,747 |
| Retained earnings | 592,439 | 544,772 |
| Accumulated other comprehensive loss | <u>(20,413)</u> | <u>(44,255)</u> |
| Total Global Payments Inc. shareholders' equity | <u>921,920</u> | <u>861,264</u> |
| Noncontrolling interest | <u>10,237</u> | <u>10,253</u> |
| Total equity | <u>932,157</u> | <u>871,517</u> |
| Total liabilities and equity | <u><u>\$ 1,908,745</u></u> | <u><u>\$ 2,039,326</u></u> |

SCHEDULE 6
UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS
GLOBAL PAYMENTS INC. AND SUBSIDIARIES

(In thousands)

| | Three Months Ended August 31, | |
|---|-------------------------------|--------------|
| | 2010 | 2009 |
| Cash flows from operating activities: | | |
| Net income including noncontrolling interests | \$ 53,794 | \$ 62,444 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization of property and equipment | 9,030 | 9,002 |
| Amortization of acquired intangibles | 7,674 | 7,920 |
| Share-based compensation expense | 3,492 | 3,004 |
| Provision for operating losses and bad debts | 5,246 | 6,769 |
| Deferred income taxes | 3,518 | 1,596 |
| Other, net | (676) | (158) |
| Changes in operating assets and liabilities, net of the effects of acquisitions: | | |
| Accounts receivable | (18,960) | (2,883) |
| Claims receivable | (4,390) | (4,137) |
| Settlement processing assets and obligations, net | (190,129) | 608,711 |
| Inventory | 3,096 | (7,381) |
| Prepaid expenses and other assets | (2,796) | (58) |
| Payables to money transfer beneficiaries | - | (4,465) |
| Accounts payable and accrued liabilities | 11,353 | 1,379 |
| Income taxes payable | 15,371 | 14,765 |
| Net cash (used in) provided by operating activities | (104,377) | 696,508 |
| Cash flows from investing activities: | | |
| Business and intangible asset acquisitions, net of cash acquired | (2,489) | (249) |
| Capital expenditures | (24,785) | (11,101) |
| Net decrease in financing receivables | 454 | - |
| Proceeds from sale of investment and contractual rights | - | 253 |
| Net cash used in investing activities | (26,820) | (11,097) |
| Cash flows from financing activities: | | |
| Net borrowings on lines of credit | 4,948 | 1,948 |
| Proceeds from issuance of notes payable | 1,661 | 300,487 |
| Principal payments under notes payable | (49,467) | (27,487) |
| Acquisition of redeemable noncontrolling interests | - | (307,675) |
| Proceeds from stock issued under share-based compensation plans, net of repurchases | (474) | 4,048 |
| Tax benefit from share-based compensation plans | 118 | 2,599 |
| Repurchase of common stock | (14,900) | - |
| Dividends paid | (1,586) | (1,616) |
| Distribution to noncontrolling interests | (2,075) | (13,998) |
| Net cash used in financing activities | (61,775) | (41,694) |
| Effect of exchange rate changes on cash | 1,239 | 1,697 |
| (Decrease) increase in cash and cash equivalents | (191,733) | 645,414 |
| Cash and cash equivalents, beginning of period | 769,946 | 426,935 |
| Cash and cash equivalents, end of period | \$ 578,213 | \$ 1,072,349 |
| Reconciliation of operating cash flow to free cash flow: | | |
| | Q1 FY11 | Fiscal 2010 |
| Net cash (used in) provided by operating activities | \$ (104,337) | \$ 465,761 |
| Adjustments: | | |
| Settlement processing assets and obligations, net | 190,129 | (140,962) |
| Payable to money transfer beneficiaries | - | 6,107 |
| Capital expenditures | (24,785) | (56,054) |
| Distribution to noncontrolling interests | (2,075) | (20,484) |
| | 163,269 | (211,393) |
| Free cash flow | \$ 58,932 | \$ 254,368 |

We supplemented our reporting of operating cash flow information determined in accordance with GAAP by reporting free cash flow for the three months ended August 31, 2010 and the fiscal year ended May 31, 2010. We believe free cash flow is a useful measure of performance and an indication of the strength of our company and our ability to generate cash. We define free cash flow as net cash (used in) provided by operating activities excluding the impact of settlement processing assets and obligations, less capital expenditures and distributions to noncontrolling interests. Fiscal 2010 also excludes the impact of amounts payable to money transfer beneficiaries reported in our disposed money transfer segment. Free cash flow should not be considered a substitute for income or cash flow data prepared in accordance with GAAP and may not be comparable to similarly titled measures used by other companies.

SCHEDULE 7
CONSTANT CURRENCY SUMMARY
GLOBAL PAYMENTS INC. AND SUBSIDIARIES

(In millions, except per share data)

| | Q1 FY11 Actual | % change Q1 FY10 | Fiscal 2010 Actual | Fiscal 2011 Outlook | % Change FY10 |
|---|-------------------|---------------------|-----------------------|---------------------------|------------------|
| <u>Revenues</u> | | | | | |
| Constant currency ¹ | \$ 439 | 7% | \$ 1,625 | \$1,740 to \$1,775 | 7% to 9% |
| Foreign currency impact ² | 1 | 0% | 17 | --- | --- |
| Revenues | <u>\$ 440</u> | <u>7%</u> | <u>\$ 1,642</u> | <u>\$1,735 to \$1,770</u> | <u>6% to 8%</u> |
| <u>Diluted Earnings Per Share</u> | | | | | |
| Constant currency ¹ | \$ 0.66 | (3%) | \$ 2.44 | \$2.71 to \$2.79 | 7% to 10% |
| Foreign currency impact ² | 0.01 | 2% | 0.10 | --- | --- |
| Normalized diluted EPS from continuing operations | 0.67 | (1%) | 2.54 | \$2.68 to \$2.77 | 6% to 9% |
| Non-recurring charges ³ | (0.06) | (9%) | (0.02) | --- | --- |
| Diluted EPS from continuing operations | <u>\$ 0.61</u> | <u>(10%)</u> | <u>\$ 2.52</u> | <u>\$2.68 to \$2.77</u> | <u>6% to 10%</u> |

¹ Reflects current period results on a pro forma basis as if foreign currency rates did not change from the comparable prior year period.

² Reflects the impact of changes in foreign currency rates from the comparable prior year period.

³ See Schedule 4 for detail of non-recurring charges.

We supplemented our reporting of total revenues and earnings per share information determined in accordance with GAAP by reporting revenues and earnings per share for the three months ended August 31, 2010 on a “constant currency” basis in this earnings release as a measure to help evaluate performance. We calculated revenues and earnings per share on a constant currency basis by converting our fiscal 2011 actual revenues and expenses at fiscal 2010 exchange rates. We exclude the impact of exchange rate fluctuations in order to more clearly focus on the factors we believe are pertinent to the daily management of our operations, and our management uses constant currency measures to evaluate the impact of operational business decisions. Our revenues and earnings per share reported on a constant currency basis should be considered in addition to, and not as a substitute for, revenues and earnings per share determined in accordance with GAAP. Our measures of revenues and earnings per share on a constant currency basis reflect management’s judgment of particular items, and may not be comparable to similarly titled measures reported by other companies.