Executive summary

2Q18 Highlights (YoY Growth)

+4.8% Total Spend 1Q18
In line with

+4.0% Brick & Mortar
+6.7% eComm

By Channel

+2.2% Retail Spend 4 Quarters
Best of last 4 Quarters

+16.5% Gasoline
+6.1% Travel
+6.3% Services

Top Growth Categories

Slower Performers
-0.2% Leisure
+0.6% Hotel

Restaurants National vs. SMB

+2.1% SMB Outlets
+4.3% National Outlets

Restaurant Spend

+3.6% Growth
+7.3% QSR
+0.1% Upscale Dining

Top Growing Cities

+6.4% Washington, DC
+5.7% Houston
+4.6% Boston

Regional Spend

+4.6% Midwest Winner
+3.8% South Slowest Grower

eCommerce’s portion of Total spend
30%
Economic Landscape
Economic landscape

Consumer sentiment is near post-recession high.

The job market remains robust as unemployment claims continue to trend downward.

**Consumer Sentiment (University of Michigan)**

**Initial Unemployment Claims**

Source: St. Louis Federal Reserve; University of Michigan, Surveys of Consumers; Department of Labor, Unemployment Insurance Weekly Claims.
As the job market remains tight, wages have started to tick up and we are seeing increased construction of new residential homes.

Change in Consumer Wages (YoY)

Housing Starts

Note: Change in Consumer Wages is YoY. Housing starts is the seasonally adjusted annual rate.

Household debt levels have risen in recent years, but are still well below the levels prior to the most recent recessions. Likewise, credit card delinquencies are trending upward but remain below long-term averages.

Source: St. Louis Federal Reserve; Federal Reserve, Charge-off and Delinquency Rates, Household Debt Service and Financial Obligations Summary.
Similar to consumers, the outlook from small business owners remains positive and near historic highs.

Note: The basis for the Small Business Optimism Index is 1986 at 100. The percentage of SMBs expecting higher sales is net. Source: NFIB, Small Business Economic Trends.
Connected Commerce
Growth in connected devices and experiences is setting the stage for an inevitable move toward “connected commerce.”

Source: Stats of the Connected Customer, Salesforce; U.S. Smart Speaker Users and Penetration, eMarketer; Connected Car Report 2018, Statista.
Connected commerce

Google continues to expand its connected environment with an increasing array of use cases and functionality.

Available on 500M+ devices

225+ manufacturers and brands

1,500+ different smart devices

1M+ actions

Source: Company website.
Amazon is expanding Alexa outside of the home, to the office and beyond, and offering ways for developers to monetize skills.

**December 2017**
- **25K skills** from 3rd-party developers

**May 2018**
- **40K skills** from 3rd-party developers

Source: Company website.
Increasingly, every room in the house is becoming connected… even the bathroom… (is nothing sacred!).

Where do you have a voice-controlled device in your home?

- Living room: 57%
- Kitchen: 33%
- Master bedroom: 27%
- All bedrooms: 14%
- Bathroom: 14%
- Game room: 11%
- Other: 3%

How America eats

Consumers continue to shift their food expenditure away from Grocery, toward Restaurants.

How America eats

Comparing 1H18 to 2H17, Restaurant growth has been driven by QSR and Fast Casual dining.

While Grocery sales growth remains modestly positive, Restaurants continued to capture a majority of food spend in 1H18.

### YoY Growth

<table>
<thead>
<tr>
<th></th>
<th>2H17</th>
<th>1H18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Grocery</td>
<td>3.5%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Total Restaurants</td>
<td>2.7%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Upscale Dining</td>
<td>0.6%</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Family Dining</td>
<td>2.1%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Casual Dining</td>
<td>0.5%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Fast Casual</td>
<td>0.2%</td>
<td>2.0%</td>
</tr>
<tr>
<td>QSR</td>
<td>6.4%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

### Split of Total Food Spending

- **QSR, 20%**
- **Fast Casual, 10%**
- **Casual Dining, 14%**
- **Family Dining, 5%**
- **Upscale Dining, 4%**
- **Total Grocery 47%**
- **Total Restaurant 53%**

Note: “Casual Dining” includes full service restaurants which serve alcohol. “Family Dining” includes full service restaurants which do not offer alcohol. “Fast Casual” is a limited-service or self-service restaurant with made-to-order foods, and which may also serve wine/beer. “QSR” represents traditional fast food restaurants. “Upscale Dining” includes full-service restaurants which serve alcohol, and are characterized by certain service standards and comparatively higher average ticket sizes. Data does not include coffee houses and other sub-categories of Dining.

Source: First Data® aggregated same-store spending data.
How America eats

Restaurant growth has outpaced Grocery growth in three of the past five quarters.

QSRs, accounting for 38% of restaurant spend, are a prime driver of solid Restaurant growth.

Note: Figures include all Brick & Mortar and eCommerce spend. Source: First Data® aggregated same-store spending data.
How America eats

Average ticket growth for both Grocery and Restaurants has been choppy, yet positive, in recent quarters; both took a step back in 2Q18.

Note: Figures include all Brick & Mortar and eCommerce spend. Source: First Data® aggregated same-store spending data.
National Merchant vs. SMB Performance (Restaurant Edition)
National Restaurant operators have grown faster than SMB operators over the last 5 quarters. Starting with 1Q18, the gap has widened.

Grocery spending growth appears to behave inversely to National Restaurant growth.

Note: Figures include all Brick & Mortar and eCommerce spend. SMB merchants refer to small businesses as identified based on annual revenue thresholds defined by the U.S. Small Business Administration (SBA).

Source: First Data® aggregated same-store spending data.
National vs. SMB Restaurants spend by component

By and large, spending growth among National merchants has been driven by transaction growth, rather than strict reliance on ticket size.

The reverse is true for the SMB Restaurant space, as transaction growth has been materially lagging.

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
Average tickets are consistently higher at SMB outlets across all Restaurant types.

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels.
Source: First Data® aggregated same-store spending data.
The last three quarters showed strong and steady total spending growth. With Easter shifting into March this year, April was soft, but May’s results were the strongest monthly performance in over 18 months.

Retail spending growth of 2.2% and rapidly climbing fuel prices helped to offset slower growth in Travel, Grocery, and Services.

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
The fastest growing categories were scattered across industries in 2Q18.

<table>
<thead>
<tr>
<th>Category</th>
<th>YoY Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline Stations</td>
<td>16.5%</td>
</tr>
<tr>
<td>Movie Theater Box Office</td>
<td>14.8%</td>
</tr>
<tr>
<td>Computer Software Stores</td>
<td>12.5%</td>
</tr>
<tr>
<td>Steamship/ Cruise Lines</td>
<td>9.9%</td>
</tr>
<tr>
<td>Shoe Stores</td>
<td>8.1%</td>
</tr>
<tr>
<td>Specialty Retail</td>
<td>7.6%</td>
</tr>
<tr>
<td>Auto/Truck New and Used Parts</td>
<td>7.1%</td>
</tr>
<tr>
<td>Insurance/ Underwriting</td>
<td>6.9%</td>
</tr>
<tr>
<td>Hardware Stores</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
## Performance by industry

Spending growth accelerated for many industries from 2H17 to 1H18.

### Selected Categories

<table>
<thead>
<tr>
<th>Accelerating in 1H18</th>
<th>2H17</th>
<th>1H18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gasoline Stations</td>
<td>9.1%</td>
<td>12.8%</td>
</tr>
<tr>
<td>Other Services</td>
<td>6.5%</td>
<td>7.2%</td>
</tr>
<tr>
<td>Travel</td>
<td>3.6%</td>
<td>7.0%</td>
</tr>
<tr>
<td>Electronics and Appliances</td>
<td>4.4%</td>
<td>5.3%</td>
</tr>
<tr>
<td>Retail Car/Truck Parts</td>
<td>3.0%</td>
<td>4.2%</td>
</tr>
<tr>
<td>Restaurants</td>
<td>2.7%</td>
<td>3.5%</td>
</tr>
<tr>
<td>Specialty Retailers</td>
<td>1.6%</td>
<td>3.2%</td>
</tr>
<tr>
<td>Clothing and Accessories</td>
<td>-2.7%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Slowing in 1H18</th>
<th>2H17</th>
<th>1H18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building Materials</td>
<td>6.4%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Health/Personal Care Stores</td>
<td>5.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Food and Beverage</td>
<td>3.2%</td>
<td>2.0%</td>
</tr>
<tr>
<td>Leisure</td>
<td>0.7%</td>
<td>0.6%</td>
</tr>
</tbody>
</table>

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
Non-Retail growth has significantly exceeded Retail growth in each of the past five quarters. That said, accelerating Retail growth helped sustain total spending growth at 4.8% for two consecutive quarters.

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
Total spend by channel

Brick & Mortar growth is showing a pattern of consistent acceleration over the last three quarters. eCommerce growth, while still stronger than Brick & Mortar, slowed a bit in 2Q18, primarily due to a deceleration in Leisure, Specialty Retail, and Services.

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
Total spend distribution by channel

ECommerce’s contribution held steady in Retail and slipped slightly in Non-Retail in 2Q18.

Strong Brick & Mortar growth in 2Q18 slowed the general trend toward increasing eCommerce share.

Distribution of Spend

### Retail

<table>
<thead>
<tr>
<th></th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
<th>1Q18</th>
<th>2Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail</td>
<td>76%</td>
<td>76%</td>
<td>76%</td>
<td>72%</td>
<td>72%</td>
</tr>
<tr>
<td>eCommerce</td>
<td>24%</td>
<td>24%</td>
<td>24%</td>
<td>28%</td>
<td>28%</td>
</tr>
</tbody>
</table>

### Non-Retail

<table>
<thead>
<tr>
<th></th>
<th>2Q17</th>
<th>3Q17</th>
<th>4Q17</th>
<th>1Q18</th>
<th>2Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Non-Retail</td>
<td>73%</td>
<td>72%</td>
<td>70%</td>
<td>68%</td>
<td>69%</td>
</tr>
<tr>
<td>Brick &amp; Mortar</td>
<td>27%</td>
<td>28%</td>
<td>30%</td>
<td>32%</td>
<td>31%</td>
</tr>
<tr>
<td>eCommerce</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
<td>28%</td>
</tr>
</tbody>
</table>

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
A larger portion of growth in total spend has continued to come from growth in transactions, rather than ticket size.

In 2Q18, the pace of transactions growth was twice that of average ticket growth.
2Q18 saw an acceleration in Brick & Mortar spending growth across every main geographic region, except the West.

**Total spend by region**

<table>
<thead>
<tr>
<th>Region</th>
<th>YoY Growth 1Q18</th>
<th>YoY Growth 2Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Midwest</td>
<td>3.4%</td>
<td>4.6%</td>
</tr>
<tr>
<td>West</td>
<td>4.5%</td>
<td>4.0%</td>
</tr>
<tr>
<td>Southwest</td>
<td>3.2%</td>
<td>4.2%</td>
</tr>
<tr>
<td>New England</td>
<td>3.4%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Middle Atlantic</td>
<td>2.2%</td>
<td>3.9%</td>
</tr>
<tr>
<td>South</td>
<td>2.3%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

**Note:** Brick & Mortar only.

Source: First Data® aggregated same-store spending data.
Total spend by top U.S. cities

While all top U.S. cities enjoyed (absolute) growth through the first half of the year, 45% of them saw a deceleration in growth between 1Q and 2Q18.

YoY Growth

Total U.S. Spend Growth
4.8% (1Q18)
4.8% (2Q18)

San Francisco
7.4% (1Q18)
4.5% (2Q18)

Los Angeles
3.2% (1Q18)
2.6% (2Q18)

Dallas/Fort Worth
3.6% (1Q18)
4.3% (2Q18)

Houston
3.9% (1Q18)
5.7% (2Q18)

Atlanta
1.7% (1Q18)
3.1% (2Q18)

Chicago
2.8% (1Q18)
2.1% (2Q18)

New York
2.9% (1Q18)
3.5% (2Q18)

Boston
2.7% (1Q18)
4.6% (2Q18)

Philadelphia
4.6% (1Q18)
4.2% (2Q18)

Washington DC
1.0% (1Q18)
6.4% (2Q18)

Miami
4.5% (1Q18)
3.8% (2Q18)

Note: Top U.S. cities based on total spending volume as reported by First Data®.
Figures include all tracked spend across all Retail categories, including Brick & Mortar and eCommerce channels.
Source: First Data aggregated same-store spending data.
Retail spend

In 2Q18, quarterly Retail spending growth reached its highest level in a year.

Retail spending growth remains somewhat volatile on a monthly basis.

Note: Figures include all tracked spend across all Retail categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
Retail spending growth has been driven by growth in transactions.

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
Retail spend by category

Brick & Mortar and eCommerce growth accelerated in 2Q18 compared to 1Q18.

Brick & Mortar’s acceleration was led by Building Materials, Specialty Retailers, and Health & Personal Care Stores.

eCommerce’s acceleration was driven by Building Materials, General Merchandise, and Furniture.

<table>
<thead>
<tr>
<th>Retail Categories</th>
<th>Brick &amp; Mortar 1Q18</th>
<th>Brick &amp; Mortar 2Q18</th>
<th>eCommerce 1Q18</th>
<th>eCommerce 2Q18</th>
<th>Total Retail 1Q18</th>
<th>Total Retail 2Q18</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic &amp; Appliances</td>
<td>6.0%</td>
<td>5.5%</td>
<td>4.7%</td>
<td>4.1%</td>
<td>5.6%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Building Materials</td>
<td>2.1%</td>
<td>4.1%</td>
<td>4.6%</td>
<td>7.2%</td>
<td>2.7%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Specialty Retailers</td>
<td>1.7%</td>
<td>3.9%</td>
<td>4.2%</td>
<td>3.7%</td>
<td>2.4%</td>
<td>3.8%</td>
</tr>
<tr>
<td>Health &amp; Personal Care Stores</td>
<td>2.4%</td>
<td>4.2%</td>
<td>1.2%</td>
<td>1.5%</td>
<td>1.7%</td>
<td>2.6%</td>
</tr>
<tr>
<td>Clothing &amp; Accessories</td>
<td>0.9%</td>
<td>-0.2%</td>
<td>4.4%</td>
<td>4.2%</td>
<td>1.7%</td>
<td>0.7%</td>
</tr>
<tr>
<td>General Merchandise Stores</td>
<td>-0.3%</td>
<td>-1.1%</td>
<td>9.8%</td>
<td>11.8%</td>
<td>0.6%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Furniture &amp; Home Furnishings</td>
<td>-2.8%</td>
<td>-3.0%</td>
<td>3.4%</td>
<td>5.2%</td>
<td>-1.2%</td>
<td>-0.8%</td>
</tr>
<tr>
<td>Sporting Goods, Hobby, Book &amp; Music</td>
<td>-3.1%</td>
<td>-3.7%</td>
<td>-2.1%</td>
<td>-3.7%</td>
<td>-2.9%</td>
<td>-3.7%</td>
</tr>
<tr>
<td><strong>Total Retail</strong></td>
<td><strong>0.8%</strong></td>
<td><strong>1.6%</strong></td>
<td><strong>3.7%</strong></td>
<td><strong>4.0%</strong></td>
<td><strong>1.6%</strong></td>
<td><strong>2.2%</strong></td>
</tr>
</tbody>
</table>

Note: Figures include all tracked spend across all Retail categories, including Brick & Mortar and eCommerce channels. Source: First Data® aggregated same-store spending data.
Average ticket size

Growth in average ticket size has been *generally* slowing over the last several quarters.

In 2Q18 Retail average ticket size was **$74.70**; Total average ticket size was **$50.17**.

Note: Figures include all tracked spend across all categories, including Brick & Mortar and eCommerce channels. 
Source: First Data® aggregated same-store spending data.
Segment look: Luxury

eCommerce continues to be the primary driver of growth in the Luxury category.

The main drivers of total Luxury growth in 2Q18 were Jewelry Stores, Women’s Accessories, and Specialty Apparel (which, combined, account for 61% of the sector).

Note: “Luxury” is defined by a collection of well-known consumer brands which offer high-priced designer clothing, accessories, and shoes.

Source: First Data® aggregated same-store spending data.
Segment look: Dining

Continuing recent trends, QSR growth remains strong, driven in part by successful digital penetration.

Casual and Family Dining growth continues to decelerate, while Fast Casual is accelerating.

Upscale Dining is leveling off after struggling in three of the past four quarters.

Note: “Casual Dining” includes full service restaurants which serve alcohol. “Family Dining” includes full service restaurants which do not offer alcohol. “Fast Casual” is a limited-service or self-service restaurant with made-to-order foods, and which may also serve wine/beer. “QSR” represents traditional fast food restaurants. “Upscale Dining” includes full-service restaurants which serve alcohol, and are characterized by certain service standards and comparatively higher average ticket sizes. Data does not include coffee houses and other sub-categories of Dining.

Source: First Data® aggregated same-store spending data.
Non-Retail spend by category

Brick & Mortar growth accelerated while eCommerce growth decelerated in 2Q18.

Brick & Mortar’s acceleration was led by Gasoline Stations, Motor Vehicles, and Restaurants.

ECommerce’s deceleration was driven by Travel, Restaurants, Food & Beverage, and Other Services.

### YoY Growth

<table>
<thead>
<tr>
<th>Non-Retail Categories</th>
<th>Brick &amp; Mortar</th>
<th>eCommerce</th>
<th>Total Non-Retail</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1Q18 2Q18</td>
<td>1Q18 2Q18</td>
<td>1Q18 2Q18</td>
</tr>
<tr>
<td>Gasoline Stations</td>
<td>8.9% 16.5%</td>
<td>11.0% 13.5%</td>
<td>8.9% 16.5%</td>
</tr>
<tr>
<td>Other Services</td>
<td>2.7% 2.1%</td>
<td>12.7% 9.8%</td>
<td>8.0% 6.3%</td>
</tr>
<tr>
<td>Travel - Air/Rail/Car/Ship</td>
<td>6.5% 5.4%</td>
<td>11.3% 7.8%</td>
<td>8.0% 6.1%</td>
</tr>
<tr>
<td>Motor Vehicles &amp; Parts Dealers</td>
<td>2.9% 5.0%</td>
<td>4.4% 5.4%</td>
<td>3.2% 5.1%</td>
</tr>
<tr>
<td>Restaurants</td>
<td>2.9% 3.5%</td>
<td>6.5% 4.1%</td>
<td>3.3% 3.6%</td>
</tr>
<tr>
<td>Food &amp; Beverage</td>
<td>2.3% 1.4%</td>
<td>3.6% 3.0%</td>
<td>2.4% 1.6%</td>
</tr>
<tr>
<td>Hotels</td>
<td>1.4% 0.0%</td>
<td>0.9% 1.1%</td>
<td>1.1% 0.6%</td>
</tr>
<tr>
<td>Leisure</td>
<td>1.0% 1.3%</td>
<td>1.8% -1.7%</td>
<td>1.4% -0.2%</td>
</tr>
<tr>
<td><strong>Total Retail</strong></td>
<td><strong>4.0% 4.9%</strong></td>
<td><strong>10.2% 7.5%</strong></td>
<td><strong>5.9% 5.7%</strong></td>
</tr>
</tbody>
</table>

Note: Figures include all tracked spend across all Non-Retail categories, including Brick & Mortar and eCommerce channels.
Source: First Data® aggregated same-store spending data.
Our capabilities position us to provide a robust analytics solution set

**More Transactions**
3,000 transactions per second, 24/7/365

**Broader Coverage**
Data spans the most networks and product sets

**Seamless Integration**
Ability to source data directly, and efficiently, from our own environment

**Trusted Expertise**
Based on 45 years of operating excellence

**#1 Leading Share in:**

<table>
<thead>
<tr>
<th>ACQUIRING MERCHANTS</th>
<th>NETWORKS</th>
<th>PAYMENT &amp; CARD TYPES</th>
</tr>
</thead>
<tbody>
<tr>
<td>BANKS</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- **$2.4 Trillion**
  Card volume processed
- **93 Billion**
  Transactions
- **50%**
  U.S. retail volume
- **20%+**
  U.S. consumer volume
- **6 Million+**
  Business locations
- **600+**
  Merchant categories
Methodology

› All data is proprietary transaction data from First Data’s systems
› Analysis includes all card-based forms of payment and is based on actual, same-store spending activity
› Analysis covers transaction activity during April 2017 through June 2018
› All growth rates reflect a year-over-year basis, unless otherwise noted
› Data is grouped into “Retail” and “Total”
  – “Retail” includes Electronic & Appliances, Building Materials, Clothing & Accessories, Furniture/Home Furnishings, General Merchandise, Sporting Goods, Health and Personal Care Stores, Specialty Retail
  – “Total” includes “Retail”, plus all other SpendTrend-tracked industries including Food & Beverage Stores, Restaurants, Hotel, Leisure, Travel, Aftermarket Vehicle Parts, Gasoline Stations, and Services
› “SMB” merchants refer to small businesses as identified based on annual revenue thresholds defined by the U.S. Small Business Administration (SBA)
  – Restaurants below the annual revenue thresholds of $7.5M - $11M per location, dependent on restaurant type, are classified as small businesses
› “Casual Dining” includes full service restaurants which serve alcohol. “Family Dining” includes full service restaurants which do not offer alcohol. “Fast Casual” is a limited-service or self-service restaurant with made-to-order foods, and which may also serve wine/beer. “QSR” represents traditional fast food restaurants. “Upscale Dining” includes full-service restaurants which serve alcohol, and are characterized by certain service standards and comparatively higher average ticket sizes. Data does not include coffee houses and other sub-categories of Dining.