

7/10/94

U.S. REGIONAL FINANCIAL

Date
July 7, 1994

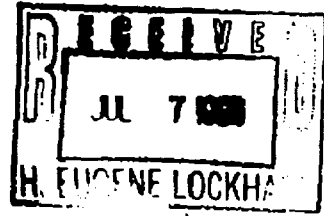


To
H. Eugene Lockhart

From
Peter S. P. Dimsey

Subject
US Region Strategic Plan Financials

Copies To
Michael Manchisi
Edward Brode



Memorandum

7/8/94
PSPD - see exhibit & questions
cc: ed B
J

Attached for your review are the financial schedules relating to the US Region Strategic Plan. Note that expenses relating to Contingency, Strategy Fund and Counterfeit have been eliminated and a bottom line titled "Net U.S. Region Contribution before Assignment" is shown. For 1994, Unplanned Expenditures (Headwind) are shown separately with incremental (strategic) expenditures in 1995 & 1996 being shown in the appropriate expense categories. Other noteworthy comments regarding individual schedules are shown below:

MasterBanking

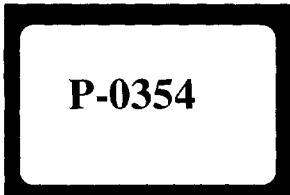
- Numbers represent latest forecast including Microsoft
- 1994 Numbers include additional \$1.6MM for interim switch development.
- Program expenses include processing and development expenses incurred by St. Louis. This was done to remove the appearance of large "Operating Expense" increases, which many people would closely associate with headcount.

On-Line Debit

- A portion of 1994 expenses were reallocated to off-line debit to support our directional shift.

Off-Line Debit

- Global/Operations expenses have been allocated entirely to Credit Products.
- Off-Line Debit Advertising (\$3MM in 1994) has been absorbed into Program expenses and Credit Advertising Expenses in 1995 & 1996.



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MCI-0713072

July 7, 1994

Credit Products

- 1994 Revenue is not net of Co-Branding Incentives of \$11MM. These expenses are shown as unbudgeted expenses so that the consolidated presentation shows \$23.3MM in unplanned expenditures (our agreed upon headwind) and that consolidated revenue (\$407.8MM) ties to the amount presented in the US President's report.
- 1995 & 1996 Revenues are shown net of incentives as suggested.
- All Global/Operations expenses have been allocated to Credit Products.
- Incremental (strategic) Expenditures have been allocated 2/3 to Advertising and 1/3 to Programs in 1995 & 1996.

Revenue

- Co-Branding Incentives in 1995 & 1996 have been reduced to \$15MM.
- Effect of Price Changes has been absorbed into the revenue forecast line.

Also attached is an update of the risk/opportunities slide as a result of your changes and financial modifications.

We can discuss in more detail tomorrow at 9:30.

Net Revenue

Item (\$mm)	1994	1995	1996	CAGR (94-96)
Forecasted Revenue	\$407.8	\$480.0 **	\$524.5 **	13%
Less: Co-Branding Incentives	(\$11.0)	(\$15.0)	(\$15.0)	17%
Adjusted Revenue	\$396.8	\$465.0	\$509.5	13%

** Revenue includes effect of 1995 Pricing Changes.

*do not break this # out for anyone
other than me.
just show the NET AD Revenue*

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U.S. Region Forecast
 Consolidated Schedule

Item (\$mm)	1994	1995	1996	CAGR (94-96)
Total Revenue	\$407.8	\$465.0	\$509.5	12%
Operating Expenses	\$00.0 ^{71.65}	\$65.3	\$69.3	7%
Advertising	81.8	97.0	104.6	13%
Programs	81.9 ^{DIRECT}	91.1	97.8	9%
Total On-Going Expenditures	\$223.7 ^{242.0}	\$253.4	\$271.7	-10% ^{S²}
Unplanned Expenditures	23.3	0.0	0.0	
Total Direct Expenses	\$247.0	\$253.4	\$271.7	-5% ←
Global & Operations Expenses				
Global	\$31.4	\$33.0	\$34.6	5%
Operations	91.7	97.0	101.9	5%
Net U.S. Region Contribution Before Assignments *	\$37.7	\$81.7	\$101.3	64%

* Contingency, Strategy Fund and Counterfeit Reserve.

Global
 Strategic
 Investments

[Handwritten signature]

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Credit Products

Item (\$mm)	1994	1995	1996	CAGR (94-96)
Total Revenue	\$398.1	\$450.8	\$482.1	10%
Operating Expenses	\$50.8	\$53.4	\$56.1	5%
Advertising	81.8	97.0	104.6	13%
Programs	70.9	78.5	83.9	9%
Total On-Going Expenditures	\$203.5	\$228.9	\$244.6	10%
Unplanned Expenditures	17.8	0.0	0.0	
Total Direct Expenses	\$221.3	\$228.9	\$244.6	5%
Global & Operations Expenses	\$123.1	\$129.9	\$136.5	5%
Net U.S. Region Contribution Before Assignments *	\$53.7	\$92.0	\$101.0	37%

all items explained as before

* Contingency, Strategy Fund and Counterfeit Reserve.

same change as before

Consolidated Debit Services

Item (\$mm)	1994	1995	1996	CAGR ('94-96)
Total Revenue	\$8.6	\$11.5	\$16.8	40%
Operating Expenses	\$7.3	\$8.1	\$8.5	8%
Advertising	0.0	0.0	0.0	
Programs	7.3	8.2	8.4	7%
Total On-Going Expenditures	\$14.6	\$16.4	\$16.9	7%
Unplanned Expenditures	3.0	0.0	0.0	
Total Direct Expenses	\$17.6	\$16.4	\$16.9	-2%
Global & Operations Expenses	\$0.0	\$0.0	\$0.0	
Net U.S. Region Contribution Before Assignments *	(\$9.0)	(\$4.9)	(\$0.1)	-92%

* Contingency, Strategy Fund and Counterfeit Reserve.

Off-Line Debit

Item (\$mm)	1994	1995	1996	CAGR ('94-96)
Total Revenue	\$7.3	\$9.9	\$14.8	42%
Operating Expenses	\$5.2	\$5.9	\$6.2	9%
Advertising	0.0	0.0	0.0	
Programs	3.7	4.5	4.4	9%
Total On-Going Expenditures	\$8.9	\$10.3	\$10.6	9%
Unplanned Expenditures	3.0	0.0	0.0	
Total Direct Expenses	\$11.9	\$10.3	\$10.6	-6%
Global & Operations Expenses	\$0.0	\$0.0	\$0.0	
Net U.S. Region Contribution Before Assignments *	(\$4.6)	(\$0.4)	\$4.2	NM

* Contingency, Strategy Fund and Counterfeit Reserve.

surplus

On-Line Debit

Item (\$mm)	1994	1995	1996	CAGR (94-96)
Total Revenue	\$1.3	\$1.6	\$2.0	24%
Operating Expenses	\$2.1	\$2.2	\$2.3	5%
Advertising	0.0	0.0	0.0	
Programs	3.6	3.8	4.0	5%
Total On-Going Expenditures	\$5.7	\$6.0	\$6.3	5%
Unplanned Expenditures	0.0	0.0	0.0	
Total Direct Expenses	\$5.7	\$6.0	\$6.3	5%
Global & Operations Expenses	\$0.0	\$0.0	\$0.0	N/M
Net U.S. Region Contribution Before Assignments *	(\$4.4)	(\$4.4)	(\$4.3)	-1%

* Contingency, Strategy Fund and Counterfeit Reserve.

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MasterBanking

Item (\$mm)	1994	1995	1996	CAGR (94-96)
Total Revenue	\$1.1	\$2.7	\$10.6	210%
Operating Expenses	\$1.9	\$3.8	\$4.7	57%
Advertising	0.0	0.0	0.0	
Programs	3.7 **	4.3	5.6	22%
Total On-Going Expenditures	\$5.6	\$8.1	\$10.3	35%
Unplanned Expenditures	2.5	0.0	0.0	
Total Direct Expenses	\$8.1	\$8.1	\$10.3	13%
Global & Operations Expenses	\$0.0	\$0.0	\$0.0	
Net U.S. Region Contribution Before Assignments *	(\$7.0)	(\$5.4)	\$0.3	NM

* Contingency, Strategy Fund and Counterfeit Reserve.

** Includes St. Louis Operating and Interim Switch Development Costs of \$2.1MM and \$1.6MM respectively.

included in this

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MCI-0713080

THE FINANCIAL RETURNS OUTLINED IN THIS DOCUMENT ARE SUBJECT TO SEVERAL OPPORTUNITIES AND RISKS

Opportunities	Risks
	<ul style="list-style-type: none">● Credit Card Volume and Account Growth Could Slow Significantly● Industry Consolidation Could Negatively Impact Revenue Growth Due to:<ul style="list-style-type: none">- Increased "On-Us" Volume- More Volume in Lower-Priced Assessment Tiers● Visa May Fund Higher Spending to Remain Competitive● MasterCard Debit Growth May be Below Objectives● Increased Spending to Upgrade Systems● Chip Card Development Needs to be Funded

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