Fiserv, Inc. (FISV)
Details on Q1 Results

Q1 results were very good in the context of the crisis (revenues +4% organic; EPS +16%), but the real story is the departure of a legend; we like the stock...probably would’ve been up 5-7% tomorrow, but maybe up 0-2% given the CEO transition. Results were quite impressive...organic growth +4%, almost like nothing bad is happening. Q2 obviously will be weak, but reiteration of 10%+ EPS growth in 2020 is unique among our coverage list...FISV should probably be at $115...like yesterday.

- The real story is the announcement of the upcoming departure of a legend, CEO Jeff Yabuki:
  - Jeff had a lot of energy when we met in 2005…but a lot of investors thought the Fiserv story was ending after 20 or so years of 10%+ EPS growth
  - Jeff was just at the beginning a run of 15 more 10%+ EPS growth years...we are including this year, which will likely show Fiserv as the strongest EPS grower on our list.
  - Fiserv outperformed the S&P each of the 14 last years...that's like flipping heads 14 times straight, a roughly one in 16k chance. But Jeff is like having a weighted coin.
  - Thanks for helping my career...we've had a great stock to recommend, and a lot of fun stuff to write about...before you leave, definitely build the giant swiper slide at the Fiserv Forum!

- Q1 earnings were good.
  - Q1 Adjusted EPS of $0.99, in line with consensus.
  - Q1 revenue +4% organic constant-fx (we expected +2%). Merchant was +6% (we expected flattish); Financial Technology +1% (we expected flattish); Payments/Network +3% (we expected +2%)
  - Adjusted operating margin of 27.8% (+10bps yoy) was below our 29.8% estimate...fx and rapid revenue decline in March hurt.
  - Free cash flow 111% of adjusted net income
  - Share repurchases: Repurchased 8.6 million shares during Q1.
  - Net debt-to-TTM EBITDA ~3.8X, similar to ~3.8X at the end of Q4.

- Guidance/estimates:
  - 2020 guidance withdrawn due to COVID-19 uncertainties.
  - Keeping 2020E EPS intact at $4.42); raising 2021E EPS to $5.35 (from $5.24).

- Other items:
  - Merchant trends -- meaningfully improved from the lows in late March/early April, with late-April/early-May transactions down low double-digits (improving from nearly 30% decline the last week of March).
  - US debit transactions improved during the second half of April, finishing at low double-digit declines (after declines ~20% the last week of March/early April).
  - Expense synergies: Expects $500 million synergies in 2020 (including annualized run-rate exiting 2020 of >$700 million); achieved ~$90 million in Q1
  - CEO transition plan: Frank Bisignano will succeed Jeff Yabuki effective July 1. We are setting a high bar, and expect Frank to be a weighted coin too.

- We like the stock at ~20X 2021E...hard to argue against 34+ years of 10%+ EPS growth and FCF>earnings. Fiserv is a leading provider of account processing, payments solutions, and other related services to financial institutions, primarily in the United States.

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Details

Investment Perspective

We like Fiserv. We hate to see Jeff leave, but this is a great business. He makes a great business better, but we have a high degree of confidence in Frank. He was making First Data a better business during a period when people weren’t giving him credit. The Merchant segment probably wouldn’t have grown 6% in Q1 without all the hard work in the 2015-2018 era…a period when the stock wasn’t a Wall Street darling, but Frank was getting it ready for prime time.

We think Fiserv will likely be the best EPS grower on our list in 2020, extending its run of 10%+ EPS growth for the 35th year. And yet it only trades ~20X 2020E EPS, and its FCF typically exceeds earnings nicely.

We like the stability of core processing (~60-65% of revenue), and the secular growth of merchant acquiring around the world (~35-40% of revenue). We like the cost synergies, core margin expansion, and strong FCF, collectively driving high-teens EPS growth in more normal environments over the next 3-5 years (and 10%+ EPS growth in bad years).

We view year-out risk/reward as $95-156 based on the following:

- **Good case $156** – This reflects ~26X a good-case NTM EPS a year from now of $6.00 (using 12 months ending 6/30/22). A 26X multiple reflects a ~30% premium to the S&P’s current NTM P/E, slightly below the 2015-2019 five-year high of a 47% premium.

- **Bad case $95** – This reflects ~19X a bad-case NTM EPS a year from now of $5.00 (using 12 months ending 6/30/22). A ~19X multiple reflects a ~5% discount to the S&P’s current NTM P/E, slightly below 2015-2019 five-year low of a 13% premium.

**Our new $134 price target** reflects ~24X our prospective NTM EPS a year from now of $5.60 (using 12 months ending 6/30/22). This reflects ~20% premium to the S&P’s NTM P/E, slightly below FISV’s three-year average of ~30%, given higher leverage since the FDC merger.
Guidance

2020 guidance was withheld given COVID-19 uncertainties

- **EPS**: Expects to achieve double-digit EPS growth during the year, which would imply ~$4.35+ (off $3.95 base). This scenario assumes gradual recovery throughout the year.
- **Tax rate (reiterated)**: Noted tax rate will likely be ~22-23% for the full year
- **Cadence**:
  - **Q2**: Expects meaningful pressure on revenue/earnings during the quarter.
  - **Beyond**: Expects transaction/volume hits low points in Q2 with improvements throughout the year

**Revenue synergies (reiterated)**: $600 million of run-rate synergies for the five-year period ending 2024.

- **Revenue synergy breakdown**:
  - Distribution of merchant bank acquiring services: $230 million
  - Expand payments offerings and network innovation: $270 million
  - Integrated sales: $100 million
- **Q1 revenue synergies**: $27 million
- **2020 Expectations**: $75-100 million

**Commentary**:
- 109 new bank merchant signings (~400 FIs in the pipeline)
- Add-on solution opportunities are growing with near-term focus on credit processing, debit, and output solutions
- International opportunities are expanding faster than anticipated with issuer and merchant solutions
- Merchant add-on with biller service, walk-in service, and digital disbursements
- Near-term innovation in risk, network, and lending revenue opportunity

**Cost synergies (reiterated)**: $1.2 billion of run-rate synergies for the five-year period ending in 2024.

- **Cost synergy breakdown**:
  - Technology infrastructure: $550 million
  - Operational synergies: $300 million
  - Duplicative corporate structures: $350 million
- **Q1 cost synergies**: ~$90 million
- **2020 Expectations**: Now expects $500 million of 2020 synergies (previously expected $300 million in 2020) including an annualized run-rate exiting 2020 of more than $700 million
- **Synergies actioned**: Noted $565 million of synergies have already been actioned as of Q1

**Commentary**:
- Streamlining cost structure through enhanced efficiency and effectiveness
- Additional benefits realized through $4 billion vendor spend optimization
- Enhanced savings from contractor conversion and faster captive utilization
- Accelerated benefits from back office systems and facility consolidation to increase collaboration and client value
- Higher shared infrastructure leverage across call centers, corporate systems, and data centers

**Interest expense savings (reiterated)**: More than $250 million
Estimates

2020E
We are keeping our 2020E EPS intact at $4.42. We now assume -0.6% organic constant-fx decline (previously -0.9%), and ~31.4% adjusted operating margin.

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<thead>
<tr>
<th>Fiserv 2020E Bridge</th>
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<tbody>
<tr>
<td>Revenue</td>
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<td>2019</td>
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<td>2019 Core Base</td>
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<td>Currency</td>
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<td>Synergies (2)</td>
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<td>Tax Rate</td>
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<td>Interest Expense (3)</td>
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<td>Minority Interest</td>
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<tr>
<td>Buybacks (3)</td>
</tr>
<tr>
<td><strong>2020E</strong></td>
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</tbody>
</table>

Source: Company Reports and Baird Estimates

(1) Assumes flatish revenue and flatish core EBIT
(2) Guidance is for exiting $700m+ (already had $565m end of Q1)
(3) Assumes FCF of -$3.5b used mostly for ~$2.25b buybacks and ~$0.5b debt paydown

2021E
We are raising our 2021E EPS to $5.35 (from $5.24). We now assume +5.6% organic constant-fx growth (previously +5.7%), and ~34.0% adjusted operating margin.

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<tr>
<th>Fiserv 2021E Bridge</th>
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<tbody>
<tr>
<td>Revenue</td>
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<tr>
<td><strong>2020E</strong></td>
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<tr>
<td>Core</td>
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<tr>
<td>Currency</td>
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<tr>
<td>Synergies</td>
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<td>Tax Rate</td>
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<tr>
<td>Interest Expense (3)</td>
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<tr>
<td>Minority Interest</td>
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<tr>
<td>Buybacks (3)</td>
</tr>
<tr>
<td><strong>2021E</strong></td>
</tr>
</tbody>
</table>

Source: Company Reports and Baird Estimates

(1) Assumes flatish revenue and flatish core EBIT
(2) Guidance is for $300m
(3) Assumes FCF of -$3.5b used mostly for ~$2.25b buybacks and ~$0.5b debt paydown
Q1 Results

Q1 Adjusted EPS of $0.99 (consensus $0.99; we were $1.02). Variance to our estimate was due to revenue (+$0.04), margins (-$0.10), and tax (+$0.03).

Q1 pro-forma revenue:$3.48 billion, ~1-2% below consensus $3.54 billion (we were $3.44 billion); +4% internal revenue growth (+5% in Q4; we expected +2%).
- **Merchant** was +6% (+9% in Q4; we expected flattish)
- **Financial Technology** was +1% (flattish in Q4; we expected flattish)
- **Payments and Network** was +3% (+3% in Q4; we expected +2%)

Adjusted operating income of $968 million (+1% yoy) was below our $1.02 billion estimate. Adjusted operating margin was 27.8% (below our 29.8% estimate). Management noted margin was lower than anticipated due to the sharp decline in revenue in the second half of March and expected lower one-time and periodic revenue, which was partially offset by ~$90 million in expense synergies during the quarter.
- **Merchant segment** margin 21.2% (-440bps yoy); well below our 27.7% estimate.
- **Financial Technology segment** margin 28.3% (+30bps yoy); below our 29.8% estimate.
- **Payments and Network segment** margin 41.2% (+280bps yoy); above our 40.3% estimate.

Adjusted Tax Rate (excluding one-time tax reform impact) of 18.6% was below our 21.0% estimate.

<table>
<thead>
<tr>
<th>Fiserv, Inc. (period ending March 31, 2020)</th>
<th>Actual ($ millions)</th>
<th>Yr Ago</th>
<th>Change</th>
<th>Estimate</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adj. Net Revenue**</td>
<td>3,468</td>
<td>3,473</td>
<td>0%</td>
<td>3,435</td>
<td>1%</td>
</tr>
<tr>
<td>Reported Growth</td>
<td>0%</td>
<td>NA</td>
<td>-1%</td>
<td></td>
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<tr>
<td>Internal Growth</td>
<td>4%</td>
<td>NA</td>
<td>2%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Adj. Operating Income</td>
<td>968</td>
<td>963</td>
<td>1%</td>
<td>1,024</td>
<td>(5%)</td>
</tr>
<tr>
<td>Adj. Operating Margin</td>
<td>27.9%</td>
<td>27.7%</td>
<td>-18-Bp</td>
<td>29.8%</td>
<td>(190-Bp)</td>
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<tr>
<td>Interest/Other</td>
<td>(187)</td>
<td>(243)</td>
<td>(23%)</td>
<td>(186)</td>
<td>1%</td>
</tr>
<tr>
<td>Pretax Income</td>
<td>781</td>
<td>720</td>
<td>8%</td>
<td>838</td>
<td>(7%)</td>
</tr>
<tr>
<td>Tax</td>
<td>145</td>
<td>145</td>
<td>-</td>
<td>176</td>
<td>(18%)</td>
</tr>
<tr>
<td>Tax Rate</td>
<td>18.6%</td>
<td>20.1%</td>
<td>NA</td>
<td>21.0%</td>
<td>-12%</td>
</tr>
<tr>
<td>Net Income from Continuing Ops</td>
<td>636</td>
<td>575</td>
<td>11%</td>
<td>662</td>
<td>(4%)</td>
</tr>
<tr>
<td>Equity Income</td>
<td>48</td>
<td>26</td>
<td>45</td>
<td></td>
<td></td>
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<tr>
<td>Net Income (pre-lending Impact)</td>
<td>684</td>
<td>601</td>
<td>14%</td>
<td>707</td>
<td>(3%)</td>
</tr>
<tr>
<td>Adjusted EPS</td>
<td>$0.99</td>
<td>$0.87</td>
<td>14%</td>
<td>$1.02</td>
<td>(3%)</td>
</tr>
<tr>
<td>Shares Outstanding</td>
<td>691</td>
<td>693</td>
<td>(0%)</td>
<td>693</td>
<td>(0%)</td>
</tr>
</tbody>
</table>

*Source: Company Reports, Baird Estimates*
Segment Results

Fiserv, Inc.

Q1-20 Variance (period ending March 31, 2020)

($ millions) | Actual | Yr Ago | Change | Estimate | Variance
--- | --- | --- | --- | --- | ---
Merchant Acceptance Revenue | 1,335 | 1,334 | 0% | 1,294 | 3%
  Internal Growth | 6% | | | | |
Merchant Acceptance Op Income | 283 | 341 | (17%) | 358 | (21%)
  Adj. Op Margin | 21.2% | 25.6% | (436-Bp) | 27.7% | (647-Bp)
Financial Technology Net Revenue | 718 | 725 | (1%) | 727 | (1%)
  Internal Growth | 1% | | | | |
Financial Technology Op Income | 204 | 203 | 0% | 217 | (6%)
  Adj. Op Margin | 28.4% | 28.0% | 41-Bp | 29.8% | (144-Bp)
Payments and Network Net Revenue | 1,386 | 1,365 | 2% | 1,384 | 0%
  Internal Growth | 5% | | | | |
Payments and Network Op Income | 575 | 523 | 10% | 558 | 3%
  Adj. Op Margin | 41.5% | 38.3% | 317-Bp | 40.3% | 117-Bp
Corporate Revenue | 29 | 49 | (41%) | 30 | (3%)
Corporate Op Income | (94) | (104) | | (109) | |

Source: Company Reports, Baird Estimates

Merchant Acceptance (~38% of Q1 revenue) – This segment provides products and services to merchants around the world, including POS merchant acquiring and e-commerce services, mobile payment services, security and fraud protection products, and Clover. We believe this is almost entirely legacy FDC GBS segment.

- **Revenue** was +6 yoy organic constant-fx, above our flattish yoy internal growth estimate (and decelerated from +9% yoy in Q4). Management noted performance was buoyed by geographical breadth, diverse industry verticals, and broad payment capabilities. Revenue growth excludes the 51% share of BAMS’s acquiring revenue due to the planned dissolution at the end of June; we think internal revenue growth would have been ~3% including this.
  - **North America** revenue grew +5% in the quarter; was up double-digits through February
  - **International** revenue grew +7% constant-fx
  - **Clover**: Noted payment volume was +29% yoy during the quarter (was +40% through February; noted >40% last quarter); Clover devices shipped grew ~25% (>25% during last quarter).
  - **eCommerce**: Transactions grew 26% in the US and grew 20% globally; signed 36 new eCommerce clients during the quarter (23 in Q4)
  - **ISV**: revenue grew >55% during the quarter; number of partners grew >20% during the quarter
  - **Recent trends**: Seeing volume decline low double-digits (was declining ~30% end of March); continues to see gradual improvement.

- **Adjusted operating margin** was 21.2%, down ~440bps yoy and was below our 27.7% estimate. Management noted ~270bps headwind related to COVID-19 volume decline (~2/3 from higher-growth international business) and ~200bps impact from brand-assessment fees along with the expiration of a 10-year deferred revenue item in BAMS.
  - **Q2**: Expects margins to remain pressured given COVID-19 impacts

Financial Technology (~21% of Q1 revenue) – This segment provides FI’s around the world with the technology solutions they need to run their operations, including an institution’s general ledger and central information files and products and services that enable financial institutions to process customer
deposit and loan accounts. We believe this includes legacy Fiserv Financial segment and a little legacy FDC GFS.

- **Revenue** grew +1% yoy organic constant-fx, above our flattish yoy internal growth estimate (and accelerated from flattish yoy organic growth in Q4). Revenue was driven by recurring revenue, partially offset by the expected decline in periodic revenue.
  - **Mobiliti ASP** increased ~9% yoy (~11% yoy last quarter) to ~9.2 million users (>9 million users at the end of last quarter).
  - **Architect** increased 34% to 4 million users

- **Adjusted operating margin** was 28.3%, up ~30bps yoy (below our 29.8% estimate)

**Payments and Networks (~40% of Q1 revenue)** – This segment provides FI’s and corporate clients around the world with products and services required to process digital payment transactions. This includes card transactions such as debit, credit and prepaid card processing and services, a range of network services, security and fraud protection products, card production and print services. We believe this includes legacy Fiserv Payments segment, legacy FDC NSS segments and most of legacy FDC GFS.

- **Revenue grew** +3% yoy organic constant-fx, above our +2% internal growth estimate (+3% in Q4). Management noted growth was driven by card services and output solutions including revenue synergy benefits, partially offset by lower growth in Biller solutions and prepaid.
  - **Transactional business** performed well in the first 10 weeks of the quarter but saw a significant fall-off the last two weeks.
  - **Debit transactions** grew mid single digits (high single digits last quarter). This included double-digit declines in March. April saw some improvements given some markets reopened and the impact from US stimulus payments.
  - **P2P transactions** nearly doubled compared to Q1-19 and was +14% sequentially (last quarter noted they doubled compared to Q4-18). Management noted Zelle has increased volume nearly 90% yoy (saw stronger growth in second half of April); number of Zelle clients implemented increased 8X compared to Q1-19 (up 44% sequentially).

- **Adjusted operating margin** was 41.2% (+280bps yoy; above our 40.3% estimate). Management noted the increase was primarily driven by growth in high-quality revenue, synergy benefits, and productivity gains.

**Corporate/Other** – Adjusted net corporate expense was $94 million, better than our $109 million estimate.
Other Commentary

- **Work from home**: ~85% of employees are working from home
- **Implementations**: Substantial majority of implementations are progressing as scheduled
- **Sales quota**: Noted sales during Q1 were down ~1% yoy; preliminary April sales grew >20% yoy
  - Very few deals are being canceled; did see more slippage than normal
- **Pipeline**: Remains solid with good visibility into Q2 including a number of COVID-related opportunities; seeing larger deals in pipeline continue to progress as clients remain committed to their technology agendas.
- **Recent trends**:
  - **Merchant transactions** have meaningfully improved from the lows in late March/early April; have seen some signs of recovery in late April/early May with transactions down in the low double-digit range (declined nearly 30% the last week of March).
  - **US debit transactions** improved during the second half of April, finishing the month at low double-digit declines (declines ~20% the last week of March/early April).
  - **Believes there will be continued acceleration** as shelter-in-place restrictions are eased
- **New account processing clients**: Signed 12 new clients (signed 24 last quarter), including 5 of DNA (10 last quarter).
  - Credit Union in Massachusetts ($1.5 billion in assets)
  - Existing Output Solutions client
- **$500 million innovation investment**: Remained committed to deploying the $500 million
- **CEO transition**: Frank Bisignano will become new CEO starting July 1; Jeff Yabuki will service as Executive Chairman for the remainder of the year.
- **Cost synergy commentary**:
  - Have had great results working with vendor partners to identify cost efficiencies as well as acquiring new capabilities to avoid internal investment and reducing capital expenditures.
  - Shifting original FDC's outsourced offshore operations to original FISV's captive; primary savings are from converting third-party contractors and improved operational efficiency.
  - Consolidation of real estate, data centers, and back office offices.
- **Revenue synergy commentary**:
  - Seeing continued strength in linking the account processing privileged relationships with Clover solution
  - Signed 55 new bank merchant clients in the quarter (42 wins through end of February);
  - Signed 109 new FI clients since start of the program (competitive takeaways are ~40%); nearly 400 FIs in the pipeline
- **Cost structure**: Looking at ways to move cost structure from more fixed to more variable.
- **Account/card purges**: Has seen some purges going on as financial institutions are tightly managing their cost structure
Balance Sheet and Cash Flow

- **Cash** = $0.90 billion, up from $0.89 billion last quarter.
- **Debt** = $21.97 billion, up from $21.90 billion last quarter. The company noted ~75% fixed debt and 25% variable. Management noted they plan to refinance part of their debt ($850 million due in Q2); expects to repay more than $1 billion of debt during the remainder of the year.
- **Net debt** = $21.07 billion, up from $21.01 billion last quarter.
- The **$0.06 billion increase in net debt** was primarily due to the following:
  - FCF +$0.76 billion
  - **Share repurchases** -$0.89 billion
- **Net debt to TTM EBITDA** is ~3.8X, similar to ~3.8X at the end of last quarter. Management noted they remain on track to return to historic level of leverage within 18-24 months post-FDC merger.
- **Share repurchases** - Repurchased 8.6 million shares in the quarter for ~$885 million. They have over 13 million shares authorized for repurchase. Management also noted they do not anticipate to repurchase shares at the Q1 level for the remainder of the year.
Investment Thesis

**Stable growth opportunity.** We expect the company to grow organically in low/mid single digits, with margin expansion and accretive uses of cash flow driving 10%+ EPS growth over the next few years. The company's revenue base is about 80-85% recurring, consisting primarily of long-term outsourcing contracts.

**Continued work on revenue enhancements and cost cuts.** We believe that cross-selling initiatives and newer products could enhance underlying revenue growth by 1-2% per year over the next several years, while cost cuts (combining offices, off-shoring, etc.) likely continue to add to profits.

**Limited client concentration risk.** Fiserv serves ~13k customers and no single client represents a significant amount of revenue. Bank of America is the largest client at ~4% of revenue, while the next 49 clients represent ~20% of total revenue. This minimizes risk associated with issues at a single client.

Risks & Caveats

**Consolidation in the banking industry.** The number of banks and credit unions has declined by about 1-3% per year over the past several years driven by M&A and bankruptcies. We view this as a risk, but believe most revenue is generated by account and transaction fees which don't go away with consolidation. In addition, we believe the company has effectively combated the consolidation trend by winning new clients and offering additional products and services to existing clients.

**Acquisition integration risk.** An acquisition strategy introduces risks into a business, including timing of anticipated deal closings, difficulty in integrating the acquired operations and personnel, and management challenges.

**Weaker bank spending.** While FISV's revenue has grown organically almost every year (-1% in 2009), a prolonged period of weakened banks could limit new product spending. We acknowledge 85-90% of FISV's revenue is recurring, and that the bank environment has mildly improved over the past few years.

**Pricing pressure.** Despite the relatively few big players in the industry, pricing pressure can be intense.

Company Description

Fiserv is a leading provider of account processing, payments services, and other related services to financial institutions, primarily in the US. The company was formed in 1984 through the combination of two major regional data processing firms located in Milwaukee, Wisconsin, and Tampa, Florida. A majority of Fiserv's revenue is derived from long-term contracts, with 98-99% customer retention. We believe approximately 80-85% of the company's revenue is recurring, with the remaining coming from software licenses (about 5%), professional services, termination fees, and other less recurring streams. Fiserv closed their acquisition of FDC on July 29.
### FISERV, INC.  
(FISV - NASDAQ)

**Fiscal Year End: December**

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<tbody>
<tr>
<td><strong>PF Adjusted Revenue</strong></td>
<td>13,902</td>
<td>12,634</td>
<td>11,937</td>
<td>11,312</td>
<td>10,845</td>
<td>10,435</td>
<td>10,064</td>
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<td><strong>PF Adjusted EBITDA</strong></td>
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<td>1,317</td>
<td>1,244</td>
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</tr>
<tr>
<td><strong>PF Adjusted EBITDA Margin %</strong></td>
<td>27.4%</td>
<td>27.3%</td>
<td>27.4%</td>
<td>27.4%</td>
<td>27.2%</td>
<td>27.1%</td>
<td>26.8%</td>
<td>26.3%</td>
<td>25.9%</td>
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**Adjusted Gross %**
- 2.5% 4.0% 5.2% 4.7% 4.7% 4.3% 4.4% 4.4% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5%
- 2.5% 4.0% 5.2% 4.7% 4.7% 4.3% 4.4% 4.4% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5% 4.5%

**Internal Growth (5% each)**
- 1.5% 2.0% 2.5% 3.0% 3.5% 4.0% 4.5% 5.0% 5.5% 6.0% 6.5% 7.0% 7.5% 8.0% 8.5% 9.0% 9.5% 10.0% 10.5% 11.0%
- 1.5% 2.0% 2.5% 3.0% 3.5% 4.0% 4.5% 5.0% 5.5% 6.0% 6.5% 7.0% 7.5% 8.0% 8.5% 9.0% 9.5% 10.0% 10.5% 11.0%

**Other Income**
- 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%
- 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0% 0.0%

**Pro forma$$\text{Tax} \text{rate}\)**
- 22.6% 20.1% 22.6% 25.7% 24.3% 23.4% 18.1% 23.5% 23.5% 23.5% 22.3% 22.5% 22.5% 22.5% 22.5% 22.5% 22.5% 22.5% 22.5% 22.5%
- 22.6% 20.1% 22.6% 25.7% 24.3% 23.4% 18.1% 23.5% 23.5% 23.5% 22.3% 22.5% 22.5% 22.5% 22.5% 22.5% 22.5% 22.5% 22.5% 22.5%

**Internal Growth %**
- 5.0% 7.0% 8.0% 4.0% 6.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0%
- 5.0% 7.0% 8.0% 4.0% 6.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0% 5.0%

**Research disclosures can be accessed at [http://www.rwbaird.com/research-insights/research/coverage/research-disclosure.aspx](http://www.rwbaird.com/research-insights/research/coverage/research-disclosure.aspx).**

---

**Source:** Company reports and Robert W. Baird & Co. estimates.
### Segmental Analysis
### FIServ, Inc. (FISV - NASDAQ)

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**Notes:**
- Segmental information is presented on a historical basis.
- Adjusted Operating Income and Adjusted Operating Income/Loss are non-GAAP measures. See the financial statements for a reconciliation to GAAP.

---

### Segmental Results

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**Notes:**
- Segmental information is presented on a historical basis.
- Earnings are calculated as Revenue - Operating Expenses - Taxes + Investment Income.

---

### Segmental Performance

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**Notes:**
- Segmental information is presented on a historical basis.
- Adjusted Revenue is defined as Revenue adjusted for certain non-operational items.

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### Additional Information

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**Notes:**
- Segmental information is presented on a historical basis.
- Adjusted Revenue is defined as Revenue adjusted for certain non-operational items.

---

### Additional Notes

- Segmental information is presented on a historical basis.
- Adjusted Revenue is defined as Revenue adjusted for certain non-operational items.

---

### Contact Information

David J. Koning, CFA
Senior Research Analyst
(414) 298-7494
dkoning@rwbaird.com
### Balance Sheet Assumptions

**FISERV, INC.**

(FISV - NASDAQ)

**Patrick A. Schulz, CFA / Research Analyst / (414) 298-6218 / pschulz@rwbaird.com**

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**Liabilities and Shareholders' Equity**

- **Total Liabilities and Shareholders' Equity**: 12,980, 11,884, 11,868, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400, 8,400

**Balance Sheet Assumptions**

- David J. Koning, CFA / Senior Research Analyst / (414) 298-7504 /dkoning@rwbaird.com
- Robert W. Baird & Co., Inc.
## Cash Flow Assumptions

**Fiscal Year End: December**

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<td>(198)</td>
<td>(198)</td>
<td>(175)</td>
<td>(192)</td>
<td>(195)</td>
</tr>
<tr>
<td>Non-recurring Adjustments</td>
<td>(20)</td>
<td>(20)</td>
<td>(20)</td>
<td>(20)</td>
<td>(20)</td>
</tr>
<tr>
<td>Free Cash Flow</td>
<td>603</td>
<td>668</td>
<td>738</td>
<td>754</td>
<td>800</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(40)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Free Cash Flow per Share</td>
<td>1.07</td>
<td>1.21</td>
<td>1.27</td>
<td>1.40</td>
<td>1.46</td>
</tr>
<tr>
<td>Growth %</td>
<td>10%</td>
<td>0%</td>
<td>5%</td>
<td>15%</td>
<td>9%</td>
</tr>
<tr>
<td>Acquisitions</td>
<td>(40)</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Sales of Businesses</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net Free Cash Flow</td>
<td>563</td>
<td>668</td>
<td>738</td>
<td>754</td>
<td>800</td>
</tr>
<tr>
<td>FCF per Share</td>
<td>1.22</td>
<td>1.22</td>
<td>1.22</td>
<td>1.22</td>
<td>1.22</td>
</tr>
<tr>
<td>Capex % of Revenue</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
<td>5%</td>
</tr>
</tbody>
</table>

**Date:** 5/7/14
Appendix - Important Disclosures and Analyst Certification

Approved on 07 May 2020 22:37EDT/ Published on 07 May 2020 22:42EDT.

1 Robert W. Baird & Co. Incorporated makes a market in the securities of FISV.

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Rating and Price Target History for: Fiserv, Inc. (FISV) as of 05-07-2020

[Graph showing the distribution of investment ratings and price targets for Fiserv, Inc. (FISV) as of May 7, 2020.]
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