

Fiserv



The Frugalicious Team

Three Part Presentation

1)

2018 Market Cap: \$28B
2018 Revenue: \$5.8B
2018 Employees: 29,000

fiserv.

2)

2018 Market Cap: \$15.8B
2018 Revenue: \$9.4B
2018 Employees: 19,000

First Data[®]

3)

Current Market Cap: \$83B
Current Revenue: \$14.8B
Current Employees: 44,000

First Data
is now **fiserv.**

Part 1

fiserv.[®]

What Does Fiserv Do?

Provider of core processing solutions and complementary products & services:

- For small and medium sized US banks, credit unions and government agencies

Two Business Segments

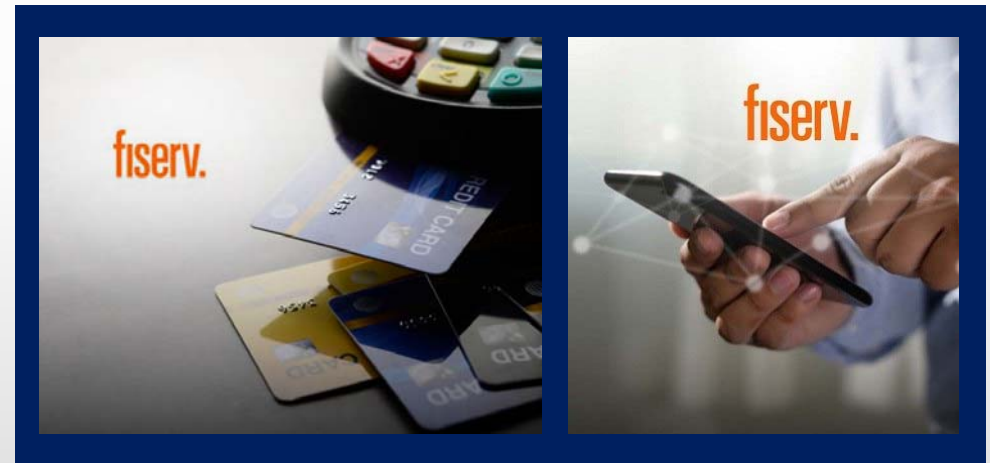
- 1) Payments Segment
- 2) Financial Segment



Payments Segment

Provides financial institutions with the following products and services:

- Electronic bill payment and presentment services
- Internet and mobile banking software
- Account to account transfer services
- Person to person payment
- Debit & Credit card processing
- Fraud detection and risk management products & services
- Has access to 3,000 clients with access to 500K ATMs



Financial Segment

Provides financial institutions with products and services needed to run their operations

- Account processing
- Loan origination
- Cash management
- Consulting services

Mission critical system that financial institutions need for their daily operations

Core processing is the nuts & bolts system for a financial institution's operations



How Do They Make Money?

How Do They Make Money?

Most of the revenue is generated from contracts that have terms of 3-5 years with high renewal rates

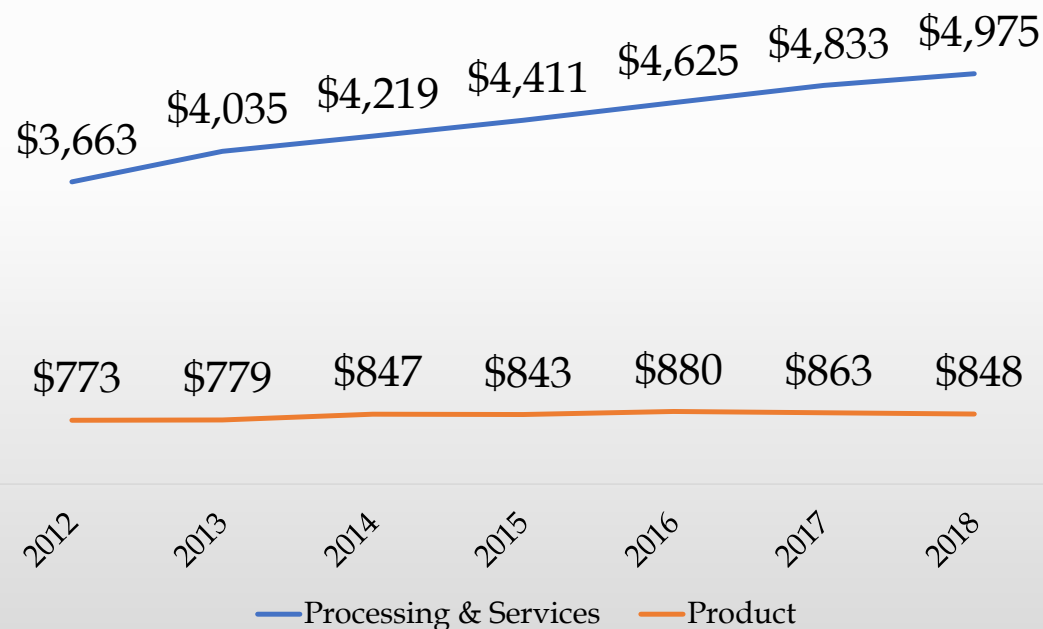
Processing & Services

- Account & Transaction-based fees
- Processing Debit/Credit
- Electronic billing and payment
- Electronic Fund Transfer (EFT)
- Price per unit-based volume and monthly usage fee

Product

- Applications
- Integrated print & card production sales
- Software license sales
- Includes customizations to specific clients

Revenue Breakdown



6-year CAGR 5.23% & 1.5%

Economic Moat

Switching Costs

- Core Processing Systems: Essential and mission critical to clients' day-to-day operations
- Costs to switch
- Heavily Embedded in Clients' operations
- Sticky Customer Relationships
- High Retention Rates
 - Annual Customer Retention of 99% (excluding acquired financial institutions)



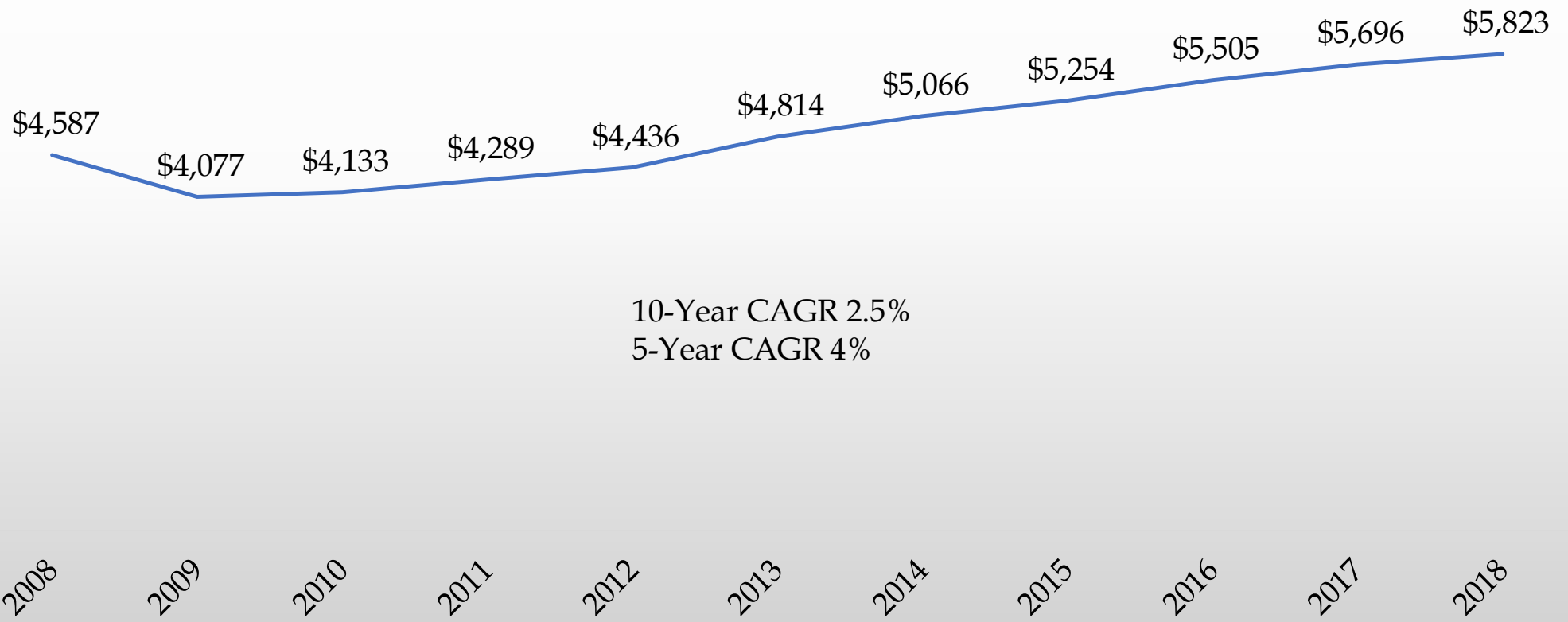
Intangible Assets

- Fixed and Tier-Based Contracts
- Recurring Multi-year Contracts
- Acquisitions of Complimentary Companies
- Proprietary technology
- Software Licensing



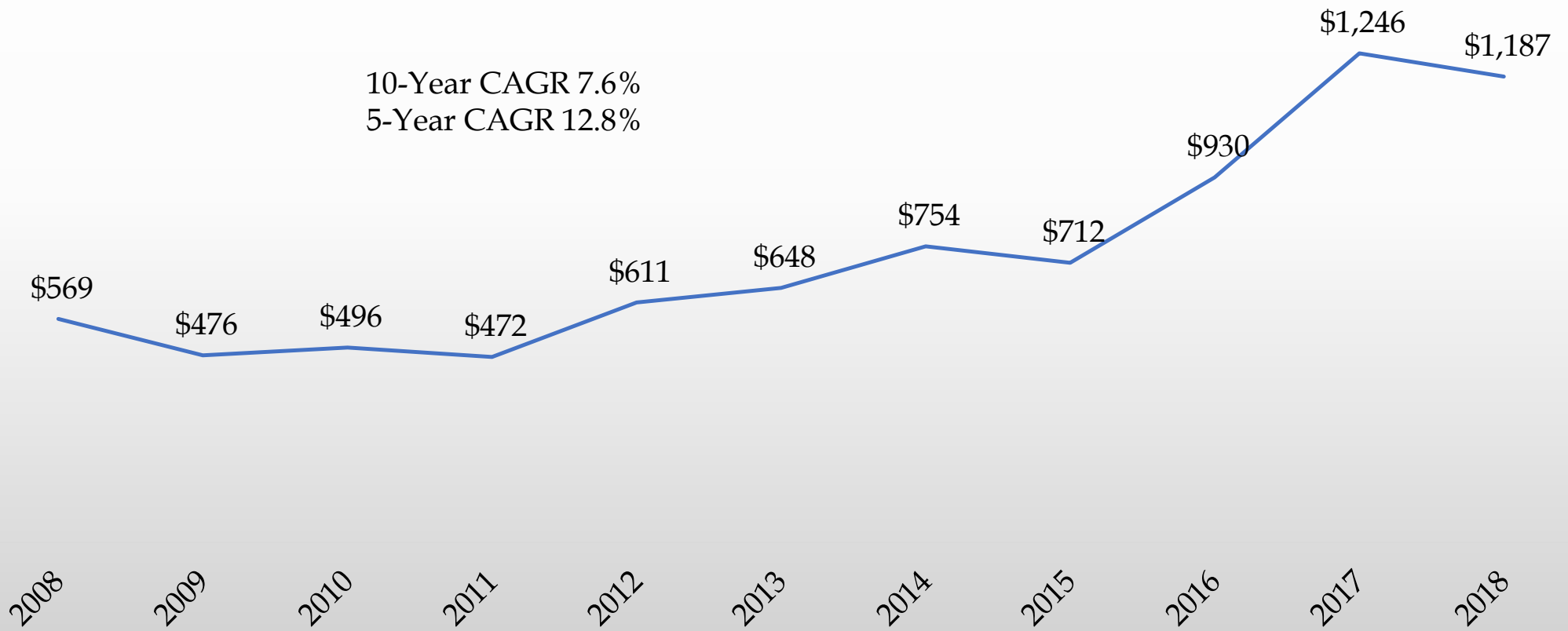
Interpretations of Financial Statements

Revenue

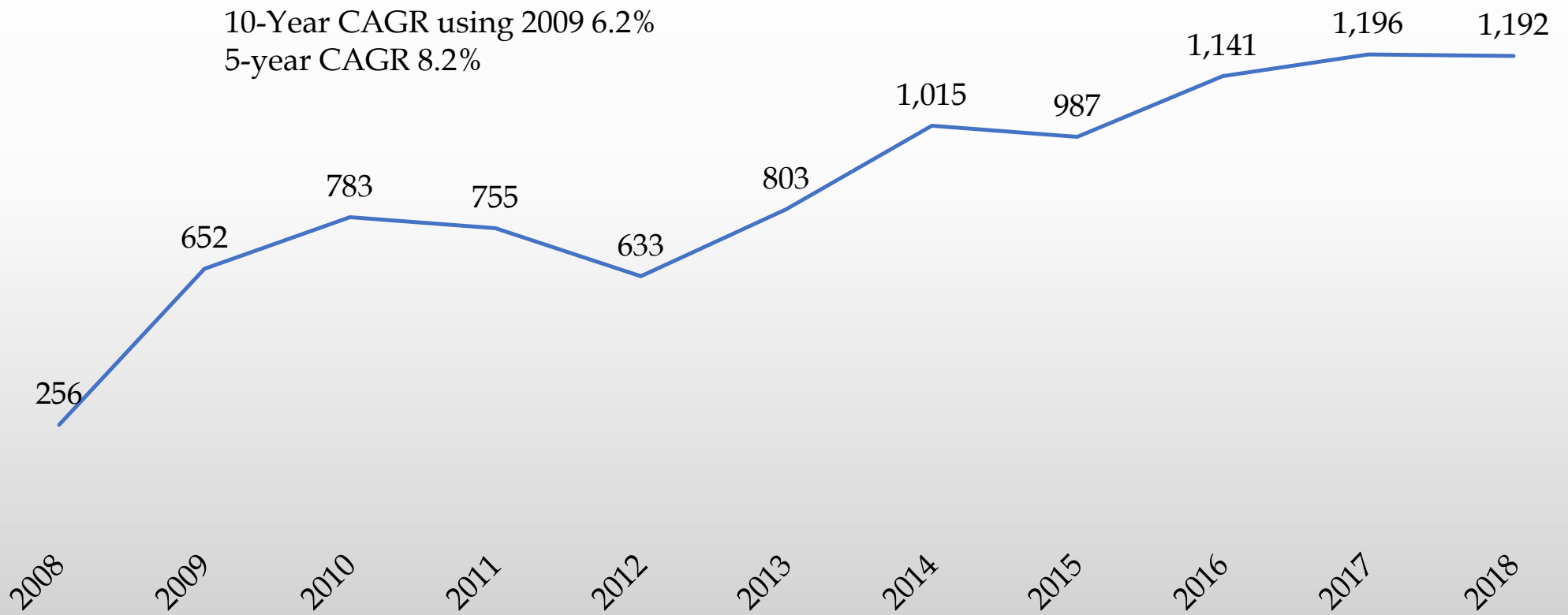


Net Income

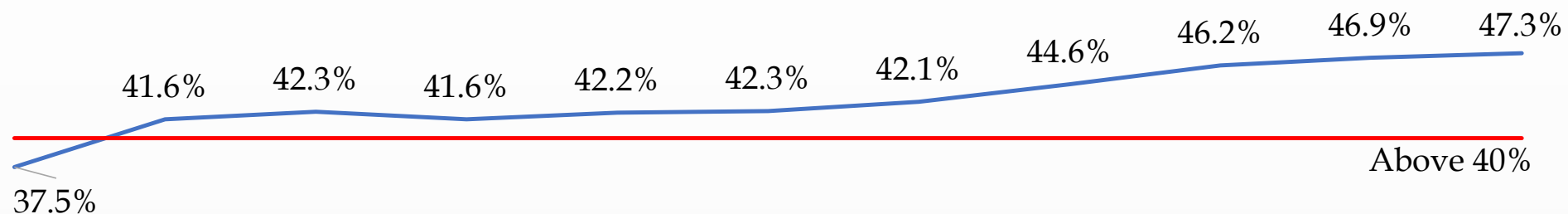
10-Year CAGR 7.6%
5-Year CAGR 12.8%



Free Cash Flow



Gross Profit Margins



2008

2009

2010

2011

2012

2013

2014

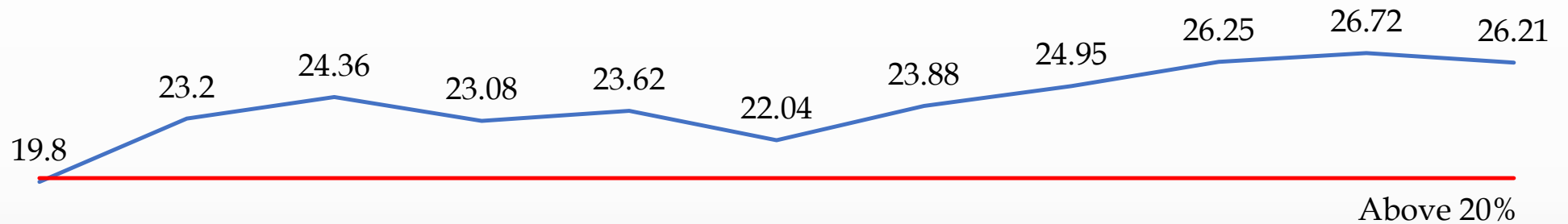
2015

2016

2017

2018

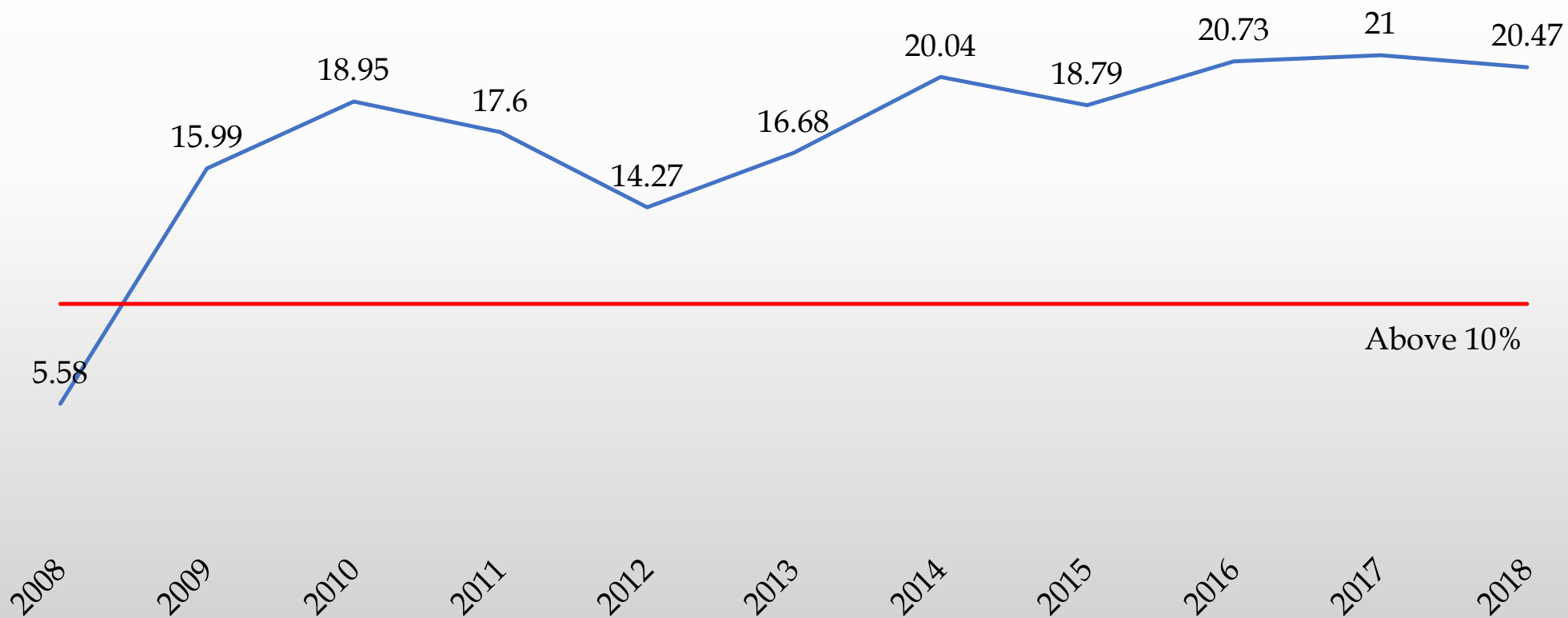
Operating Margins



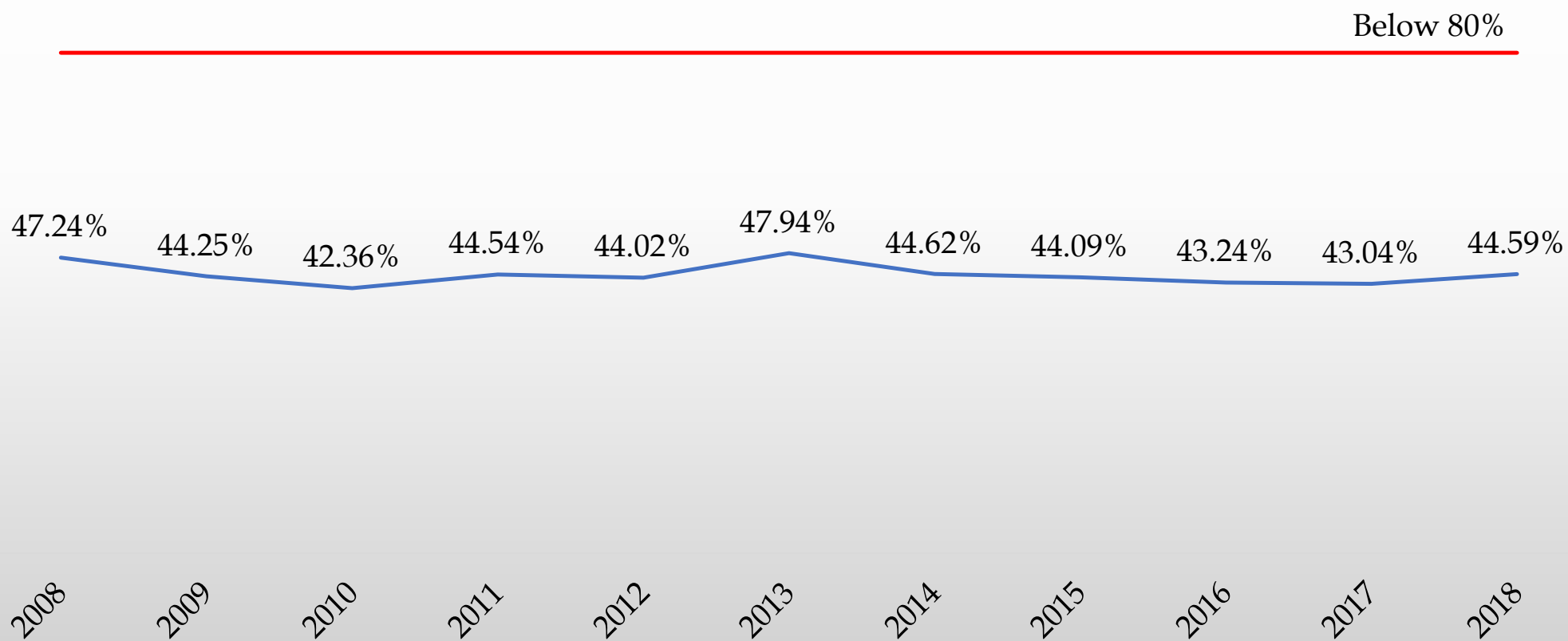
Net Margin



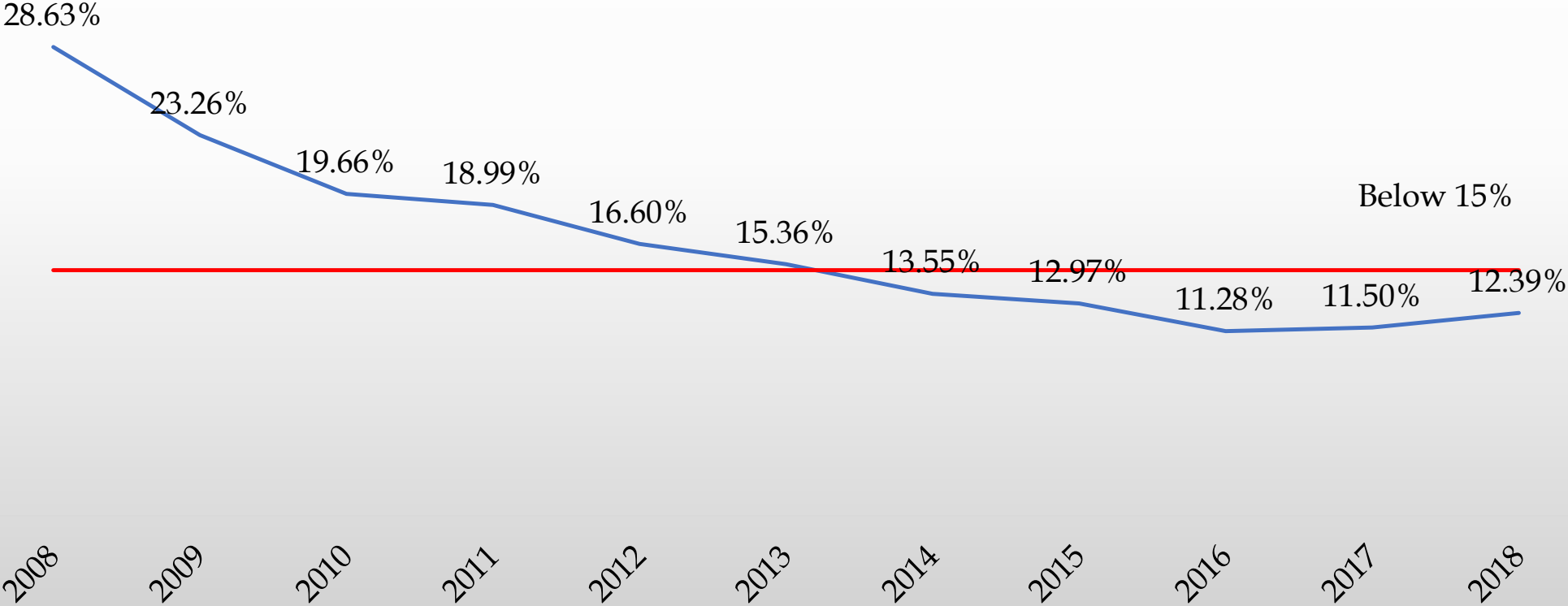
Free Cash Flow Margin



SG&A to Gross Profit



Interest Expense to Operating Income



Long Term Debt & Obligation Ratio

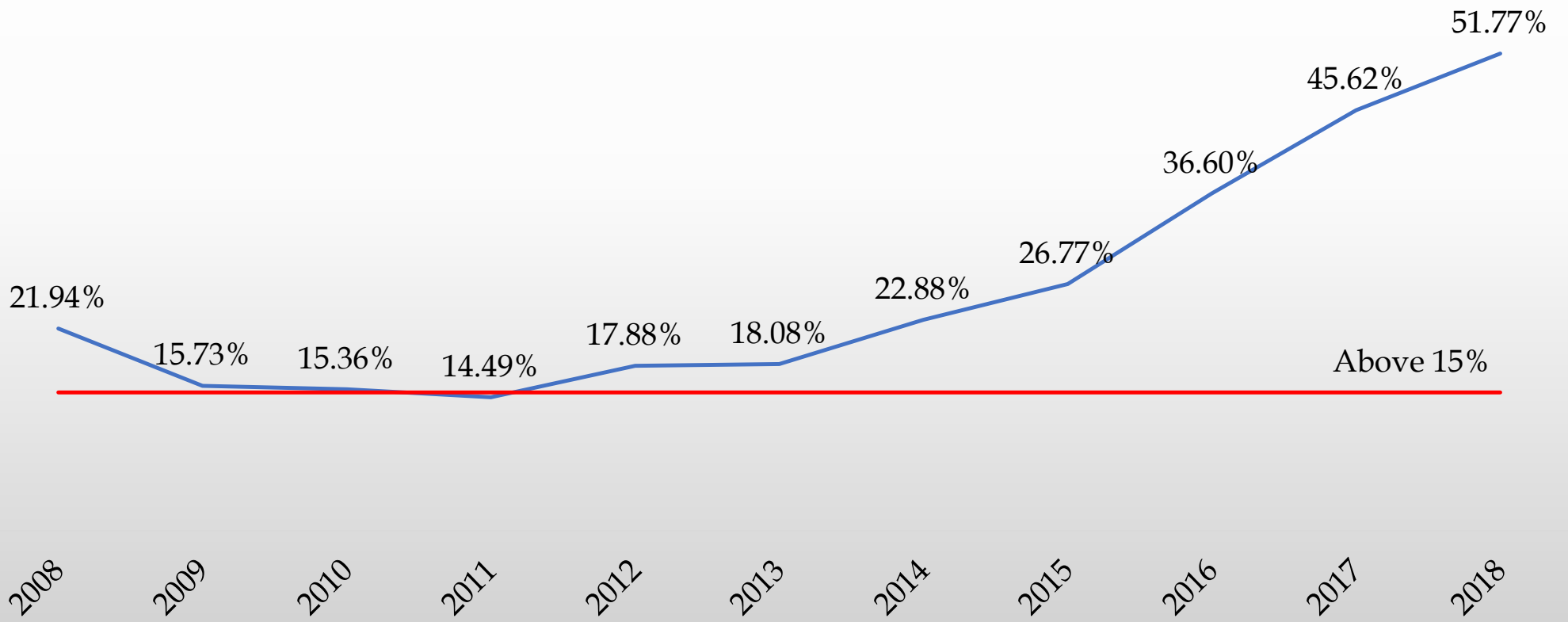
Long Term Debt



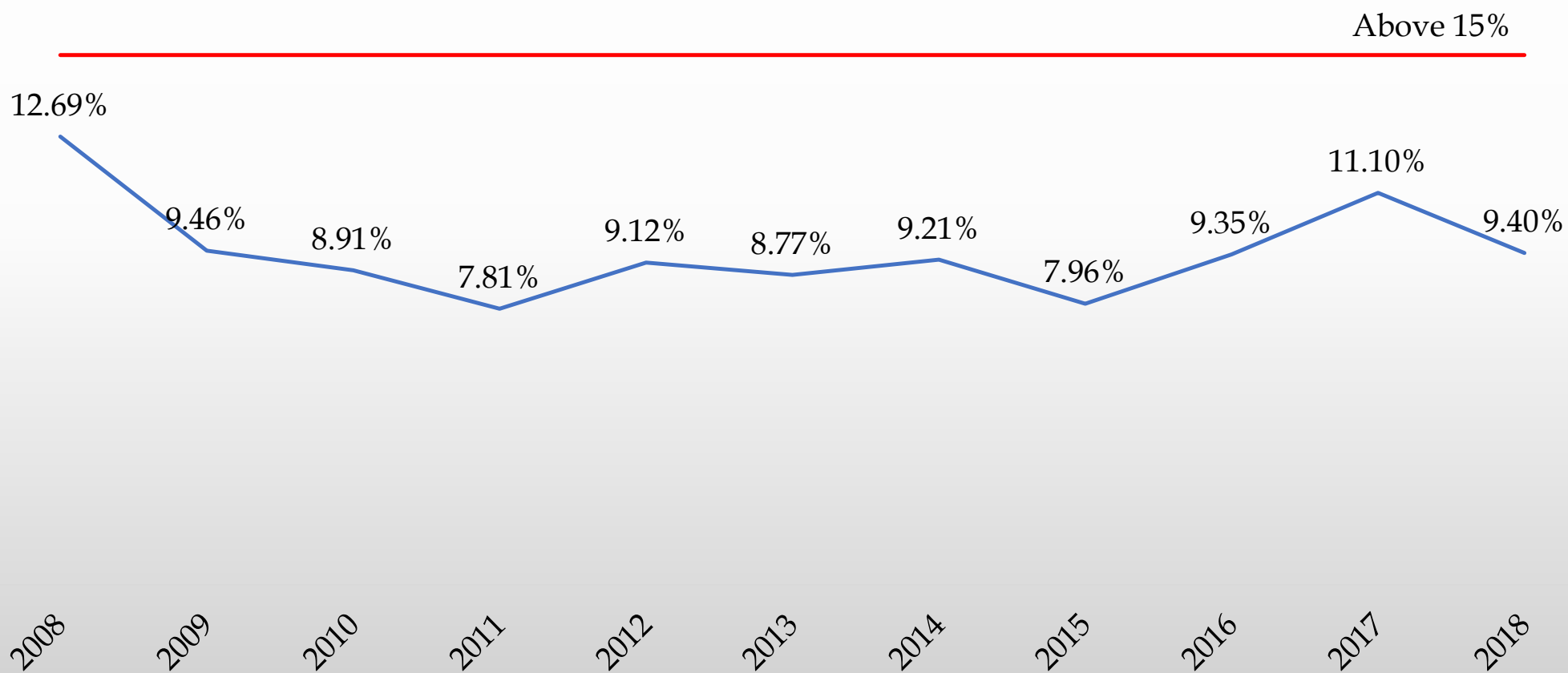
Obligation Ratio 2018

	Cash Assets	\$ 415	
	Total Lease Obligations	\$ 430	
	ST Debt	\$ --	
	LT Debt	\$ 5,950	
2018	Net Income	\$ 1,187	5.02

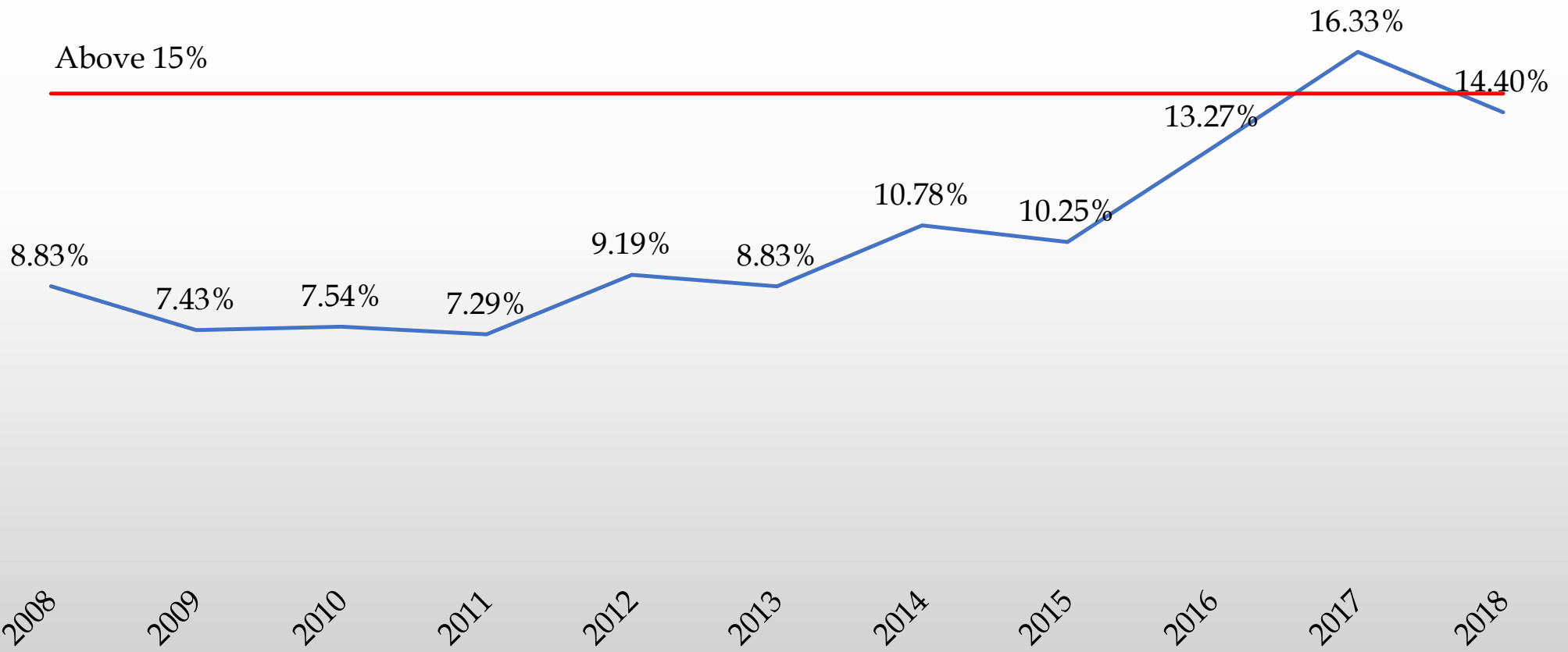
Return on Equity



ROE with Treasury Stock



Return on Capital



Management

Management

Before Jeffrey Yabuki <2005

- Fiserv was a mess
- Owning 130
 - Tuck -in acquisitions
 - Sometimes competed with one another

CEO 2005-2020

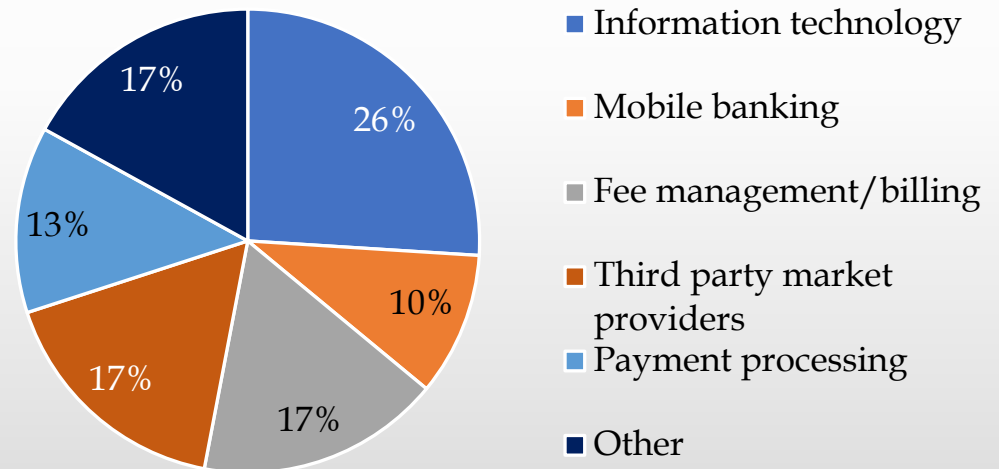
- Consolidated the business structure focused on key revenue-generating segments



Capital Allocation

- Acquisition of companies
 - (over 100 companies 2000-2020)
- CheckFree and Cashed Edge
 - (both in the payment Segment)
- Sell non-relatable companies
- Focus is more on solid banking

Acquisitions Since 2005



Capital Allocation

Management has been consistently returning money to shareholders via buybacks.

Repurchased shares at an average of:

- 4.45% over the last 10-years
- 4.91% over the last 5-years



Part 2



First DataTM

What Does First Data Do?

First Data enables businesses and financial institutions:

- First Data serves clients in over 100 countries reaching 6M business locations and over 3,700 financial institutions
- Accept electronic payments
- Issue credit & debit cards
- Process transactions
- First Data handles 45% of all US credit & debit card transactions in the US
- Prepaid gift cards for brands like SBUX
- In 2018, they processed 100B transactions globally
- In the US they processed \$2.3T of payment volume or 10% of US GDP



Global Business Solutions (GBS)

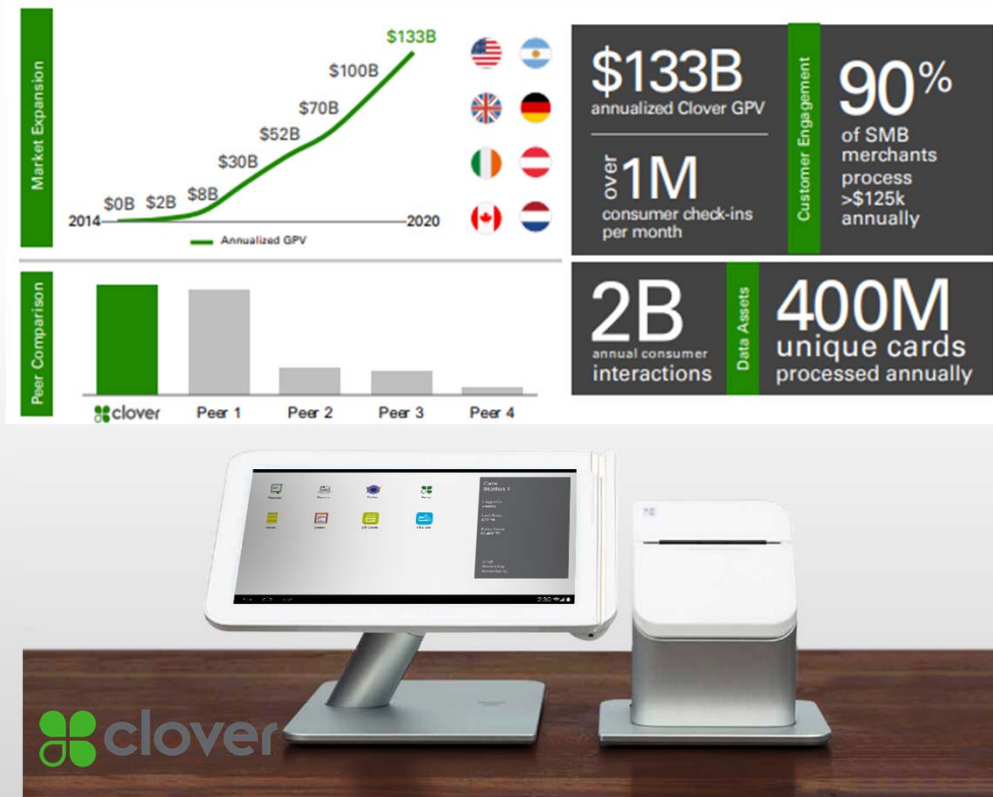
GBS is \$5.5B or 64% of FD's revenue as of 2018

GBS provides

- Point of sale merchant acquiring software
- Clover POS
- eCommerce services
- Mobile payment services

This segment focuses on merchants, small and medium sized businesses

- 3.4M business locations in the US
- 2.7M outside the US



Global Financial Solutions (GFS)

GFS is \$1.6B or 18% of FD's Revenue as of 2018

GFS provides:

- General purpose credit cards
- Retail private label cards
- Commercial cards
- Loan processing in the US and Internationally

GFS has over 1,300 clients in over 100 countries

Includes some of the largest financial institutions



Network & Security Solutions (NSS)

NSS is \$1.5B or 17% of FD's Revenue as of 2018

NSS provides the following solutions:

- Security, risk & fraud management
- Closed & open loop network credit cards with Visa and Master Card
- Electronic payroll solutions

To businesses and financial institution clients in both their GBS and GFS segments



How Do They Make Money?

Global Business Solutions (GBS)

Processes credit & debit card transactions for merchants

Generates revenue from:

1. Processing fees
2. Software service fees
3. Sales and leases of POS devices

GBS Segment Revenue



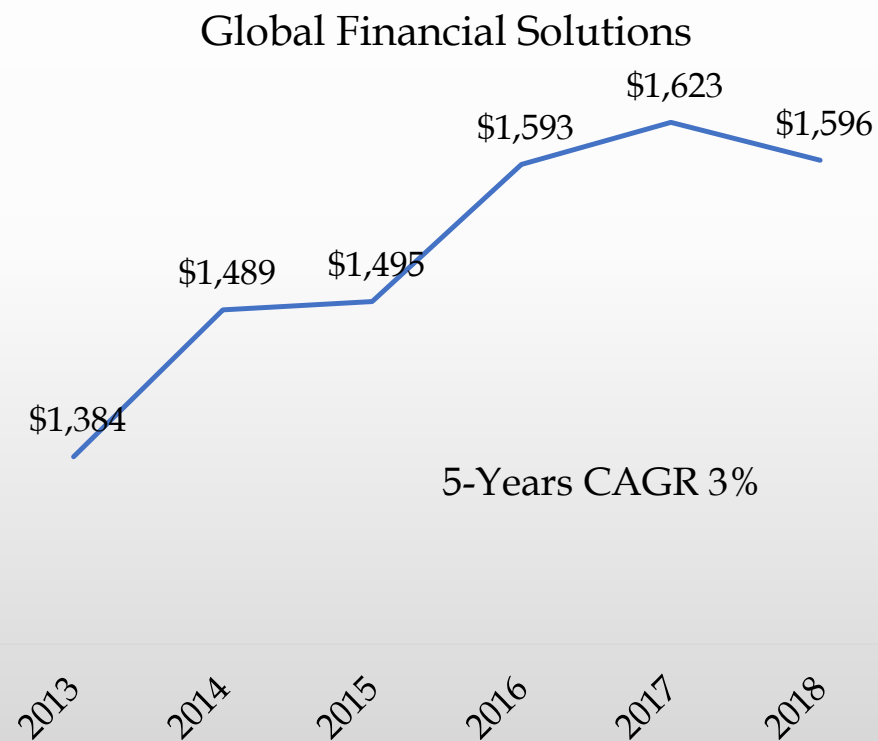
Global Financial Solutions (GFS)

Direct Fiserv competitor pre-merger

Higher # of accounts = More Sales

Generates revenue from:

1. Transaction Fees
2. Account fees
3. License fees

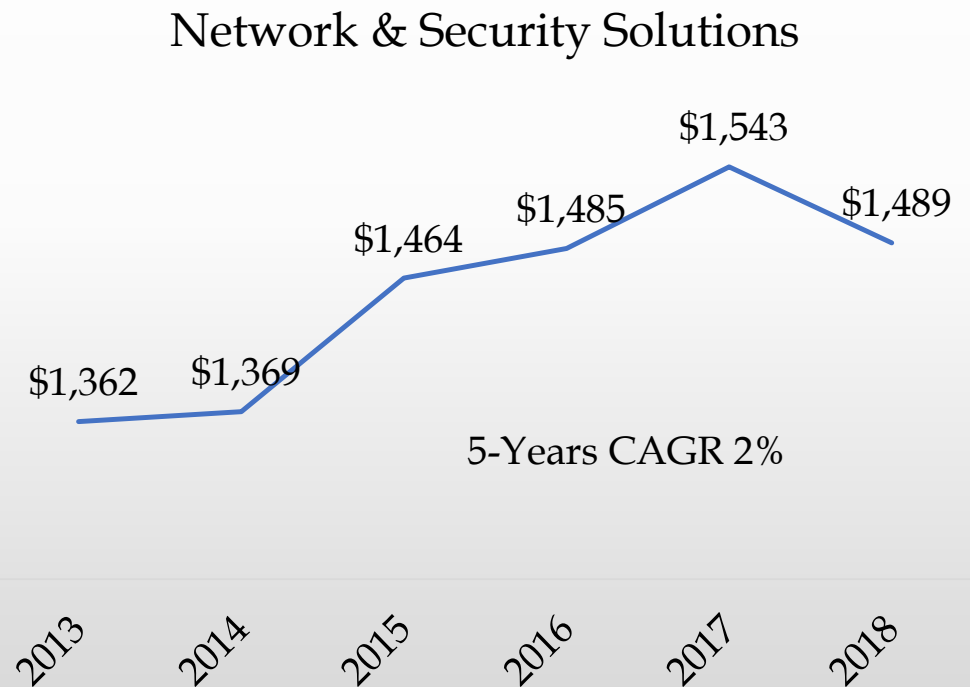


Network & Security Solutions (NSS)

Cybersecurity and fraud solutions
More transactions = More revenue

Generates revenue from:

- STAR Network fees defined in contracts
- Store Value Network solutions
- Transaction Processing Fees
- Reimbursement for card production and shipment



Management

Capital Allocation History

Before 2007

- 7 acquisitions
- 4 changes in the CEO position

After 2007

- 3 acquisitions
- 2 changes in the CEO position



KKR

- Kohlberg Kravis Roberts & Co acquired First Data in a leveraged buyout
- \$29 billion deal
- KKR spent \$27.5 billion to take First Data private
- Until now, First Data hasn't had a profitable quarter since 2007



Frank Bisignano

- Joined First Data as CEO in 2013
- Since he joined First Data, his focus has been paying back debt while innovating
- He has transformed the company into a technology innovator



Economic Moat

Switching Costs

- Clover POS is embedded in clients' operations
- First Data is a Value-added Partner
 - Integration of SaaS platforms: QuickBooks, Paychex, Salesforce, etc.
- Physical POS products increase switching cost for clients
 - 48 Month Lease Contract
- Early Termination fees



Intangible Assets

- Significant Market Share in Merchant Acquiring
 - 40% of U.S. Market (including joint venture deals)
 - 20% of U.S. (excluding joint ventures)
- Strong Relationships with Financial Institutions
- Commitment to E-Commerce and Consumer Data Protection
 - Clover
 - Blue Pay
 - Card Connect
 - Fraud Protect



BluePay

cardconnect®

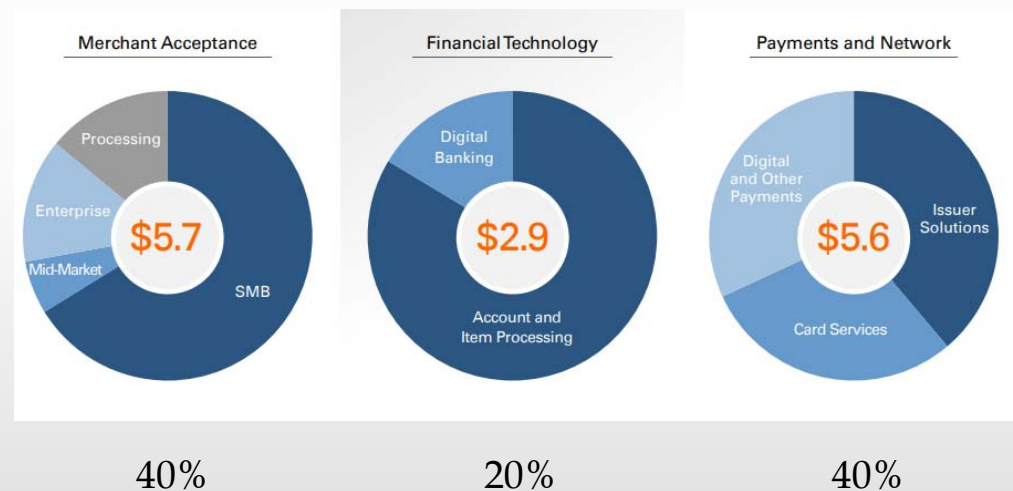
Part 3

First Data
is now **fiserv.**

Combination

All in one outsourced technology vendor

- Has signed 200 financial institutions
- Average large deal contains 20 bundled products
- 70% outside core processing system
- Regulation requirements driving adoption
- Digitization



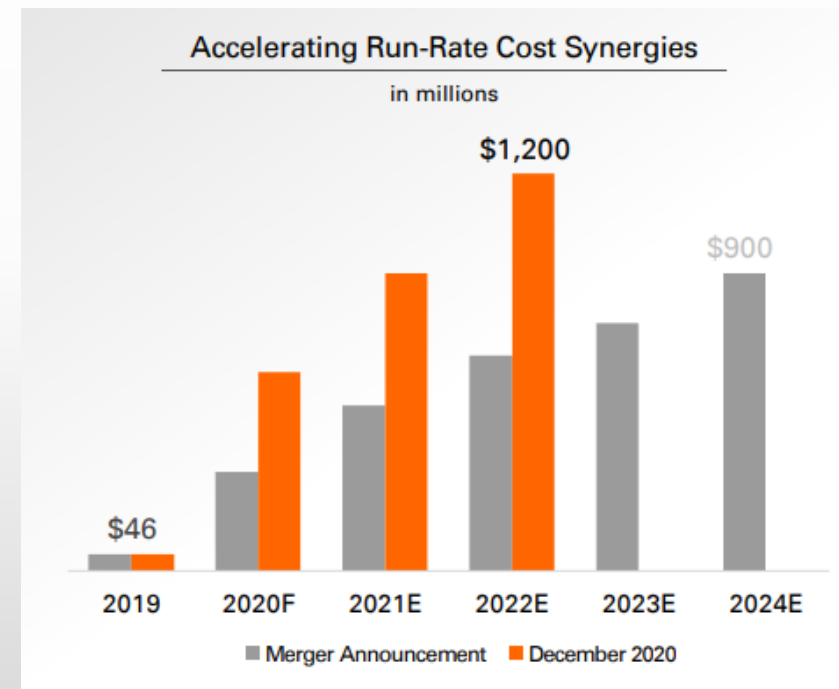
Combination

Cost Synergy 2022 target - \$1.2 billion

- Q4 - \$1 billion in cost reductions

Revenue Synergy 2022 target - \$600 million

- Q4 - \$215 million in cost reductions



Management

Capital Allocation

- Frank Bisignano - CEO of Fiserv
- Paying down Debt have already paid down \$1.9B YTD
- Reinvest money back to First Data (\$900M)
- Continue to repurchasing shares
 - (60M authorized shares)
 - Have purchased \$1.68B



Mid Range Guidance

- 2022-2023 Growth
- Revenue 7%9%
- Adjusted EPS 15%-20%
- Margin improvements
- Free Cash Flow Conversion 105%

Preliminary 2021 and Medium-Term Performance Outlook

Key Financial Metrics	Preliminary 2021	Medium-Term Outlook 2022-2023
Internal Revenue Growth	7-12%	7-9%
Adjusted EPS Growth	20-25%	15-20%
Other Financial Metrics		
Adjusted Operating Margin Expansion	>250 bps	>125 bps
Free Cash Flow Conversion	>108%	>105%

Risk Factors

Fiserv Related Risk Factors

According to the FDIC there were:

- 5,131 commercial banks and savings institutions as of Dec. 31, 2019

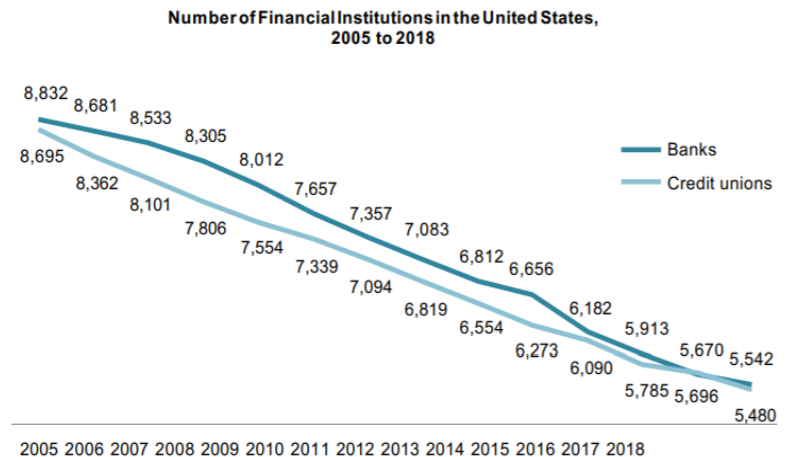
According to the CUNA

- There were over 5,340 domestic credit unions

The FDIC reported that the number of CB and SI declined 20% from 2014-2019 due to M&A – CAGR 5%

CUNA reported that the number of Credit Unions declined by 16% during the same period – CAGR 4%

Figure 9: Number of Financial Institutions in the United States



Source: FDIC, NCUA, Aite Group

Fiserv Related Risk Factors

- However, revenues for FISV and a competitor JKHY are still growing mid single digits due to the number of account growth 2% and banks are spending 5%-6% a year on technology
- From 2014-2019 aggregate assets of commercial banks and savings institutions has grown at a CAGR of 4% to \$17.5T
- For Credit Unions aggregate assets increased at a CAGR of 7% to \$1.6T during the same period
- Community Banks and Credit Unions are important to the communities and to consumers they serve and overall economy
- Deconversion fees



First Data Related Risk Factors

Payment segment customer are more sensitive to macroeconomic conditions

- 6M business locations
- SMBs merchants impacted

Large Bank Partnerships

- Account for $\frac{3}{4}$ of its North America merchant processing revenue
- Joint ventures with Bank of America, Wells Fargo, and PNC
- Banks want to gain control of their larger merchant accounts
- JP Morgan provides their own acquiring and processing with their Paymentech platform



Combination Risk Factors

	Due Date	Term	Amount (in millions)
Euro	2020	2.70%	\$ 400
	2021	4.75%	\$ 700
	2022	3.50%	\$ 1,000
	2023	3.80%	€ 612
	2023	0.38%	\$ 2,000
	2024	2.75%	\$ 900
British Pound	2025	3.85%	\$ 709
	2025	2.25%	€ 2,000
	2026	3.20%	\$ 1,000
Euro	2027	2.25%	\$ 612
	2027	1.13%	€ 1,000
British Pound	2028	4.20%	€ 3,000
	2029	3.50%	\$ 1,000
Euro	2030	2.65%	\$ 612
	2030	1.63%	€ 709
British Pound	2031	3%	€ 2,000
	2049	4.40%	\$ 425
Weighted Average			3.20% \$ 18,679
Term Loan Facility			\$ 1,250
Revolving Credit			\$ 22
Finance Lease			\$ 504
Total			\$ 20,455

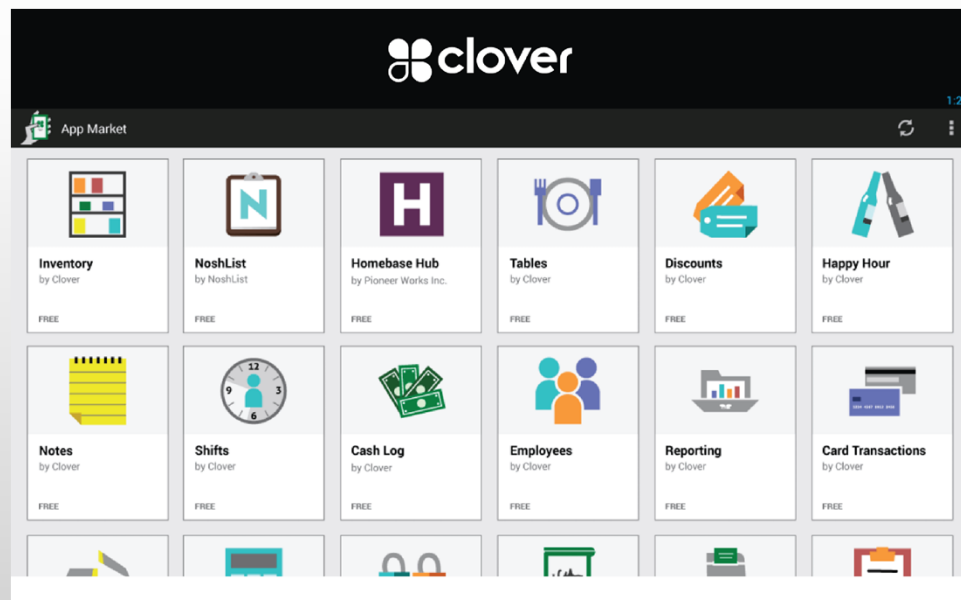
Obligation Ratio		
LT Debt	\$ 20,300	
ST Debt	\$ 384	
Leases * 7	\$ 2,632	
Pen Shortfall		
Cash Assets	\$ 906	
2020 Adjusted Earnings	\$ 2,980	7.52
2019 Adjusted Earnings	\$ 2,775	8.08
2021 Adjusted Earnings	\$ 3,525	6.36

- YTD Fiserv paid down \$1.9B in debt
- Reduced interest expense by \$290M
- Repurchased \$1.68B worth of shares
- Invested \$900M of FCF into First Data

Growth Strategy

Clover

- Over 1 million Clover devices shipped
- Over 300 active applications for the Clover App Market
- More than \$133 billion in payment volume annually
- Available in 7 countries
- Clover partnered with Paychex, which has over 680,000 SMBs clients

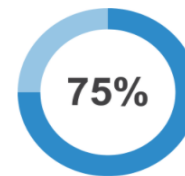


Zelle

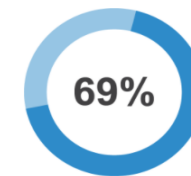
- In 2017, BOA, WFC, and JPM and 30 US banks combined 86 mobile banking customers to launch Zelle
- Fiserv is the largest processor of Zelle
- 600 out of the 765 banks on Zelle are paying Fiserv a per transaction fee



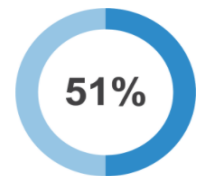
Percentage of consumers who have used online or mobile P2P payment solutions by generation:



Millennials



Generation X



Baby Boomers

Zelle Network® by the numbers

more than
100,000
enrolling daily

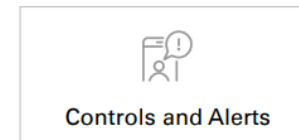
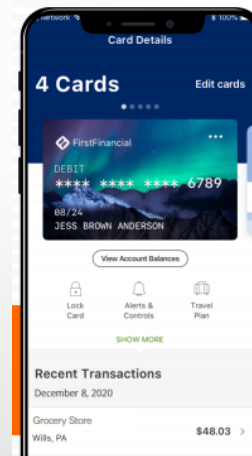
743 million
transactions in
2019, up 72%
over 2018

\$187 billion
processed in 2019,
up 57% over 2018

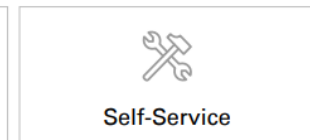
Source: Zelle Network Reporting

CardVallet

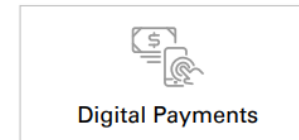
- Allows cardholders to proactively monitor and manage their accounts through their phone
- Adds another layer of security
- 2,000 financial institutions
- Client count grew YOY by 15%



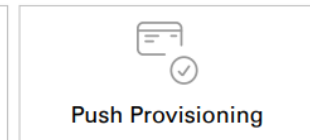
Controls and Alerts



Self-Service



Digital Payments



Push Provisioning

Total
Addressable
Market

\$200
million

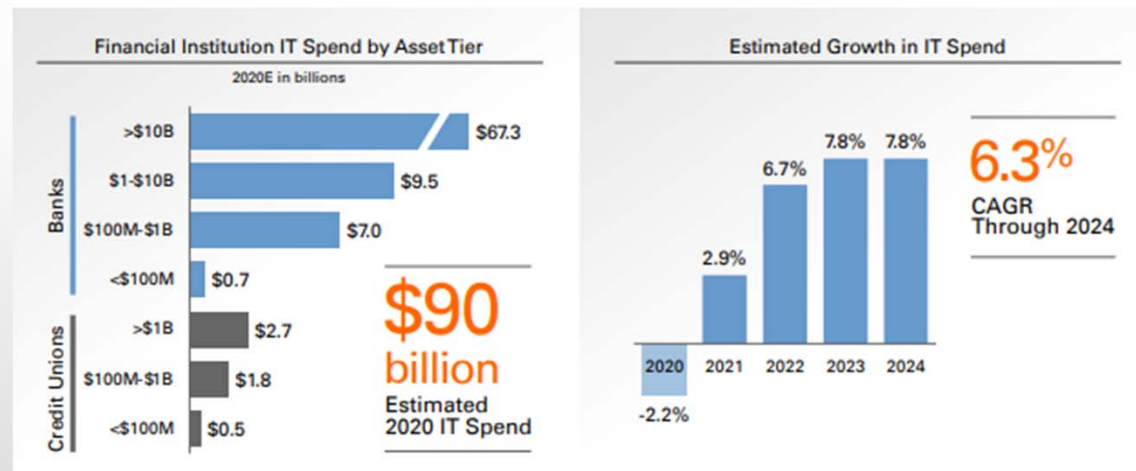
2,000 clients

Growing 15%

IT Spending

- Fiserv expects financial institutions to ramp up IT Spending by \$90B through 2024
- To adapt to the accelerated digitized world
- They expect IT Spent to grow at a CAGR of 6.3% through 2024 coming out of the pandemic

A Healthy and Growing Market



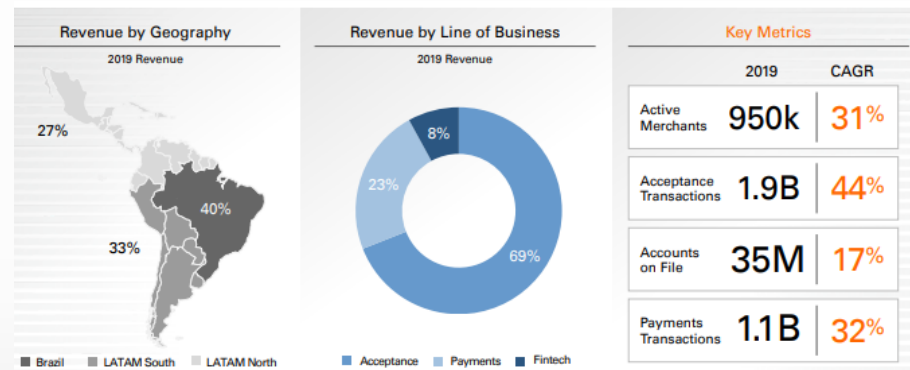
International Expansion

Intl. Expansion – major consequence of First Data merger

2015-2019 CAGRs

- Active accounts - 31%
- Acceptance transactions - 44%
- Accounts on file - 17%
- Payments Transactions - 32%

The company currently has the leading Merchant Acquiring market share of 48% in Argentina



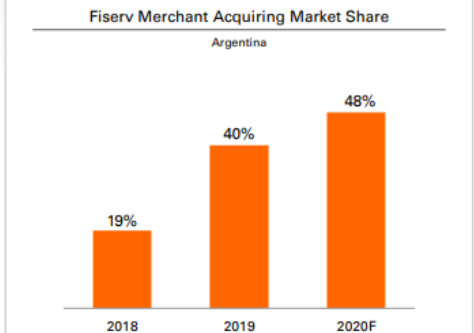
Argentina Driving Growth in Merchant Acquiring

New regulation eliminated exclusivity and established a multi-acquiring market in January 2019

Preparations began two years in advance

Clover fully deployed and growing

Thriving growth in pre-settlement funding solution to merchants



Valuation

DCF Using Free Cash Flow

Current Price: \$122.41

Bear

FCF: \$4.75

Discount Rate: 10%

Growth Rate: 11%

Fair Value: \$82.85

Margin of Safety: **-32.6%**

Base

FCF: \$4.75

Discount Rate: 10%

Growth Rate: 14%

Fair Value: \$108.64

Margin of Safety: **-11.2%**

Bull

FCF: \$4.75

Discount Rate: 10%

Growth Rate: 16%

Fair Value: \$124.47

Margin of Safety: **1.7%**

DCF Using Management's Guidance

Current Price: \$122.41

Bear

EPS: \$5.30

Discount Rate: 11%

Growth Rate: 11%

Fair Value: \$84.87

Margin of Safety: **-30.4%**

Base

EPS: \$5.30

Discount Rate: 11%

Growth Rate: 14%

Fair Value: \$110.77

Margin of Safety: **-9.5%**

Bull

EPS: \$5.30

Discount Rate: 11%

Growth Rate: 16%

Fair Value: \$126.67

Margin of Safety: **3.5%**

Fiscal 2021: \$5.30-\$5.50 adjusted EPS

5-year DCF – Free Cash Flow

Bear

5 Year Financial Model							P/FCF	FV	PV	Total ROR	CAGR
Current	2021	2022	2023	2024	2025		15.0x	\$114.75	\$71.25	-5.5%	-1.1%
\$4.75	\$5.23	\$5.75	\$6.32	\$6.95	\$7.65		20.0x	\$153.00	\$95.00	25.9%	4.7%
	10%	10%	10%	10%	10%		25.0x	\$191.25	\$118.75	57.4%	9.5%

Discount Rate: 10%

5-year DCF – Free Cash Flow

	5 Year Financial Model						P/FCF	FV	PV	Total ROR	CAGR
	Current	2021	2022	2023	2024	2025					
Base							15.0x	\$137.19	\$85.18	12.9%	2.5%
	\$4.75	\$5.42	\$6.17	\$7.04	\$8.02	\$9.15	20.0x	\$182.91	\$113.58	50.6%	8.5%
	14%	14%	14%	14%	14%	14%	25.0x	\$228.64	\$141.97	88.2%	13.5%

Discount Rate: 10%

5-year DCF – Free Cash Flow

5 Year Financial Model							P/FCF	FV	PV	Total ROR	CAGR
Bull	Current	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	15.0x	\$149.65	\$92.92	Upside 23.2%	4.3%
	\$4.75	\$5.51	\$6.39	\$7.41	\$8.60	\$9.98	20.0x	\$199.53	\$123.89	64.2%	10.4%
	16%	16%	16%	16%	16%		25.0x	\$249.42	\$154.87	105.3%	15.5%

Discount Rate: 10%

Sensitivity Analysis

Discount Rate: 10%	10%	14%	16%
15.0x	-1.1%	2.5%	4.3%
20.0x	4.7%	8.5%	10.4%
25.0x	9.5%	13.5%	15.5%

Discount Rate: 10%

5-year DCF – Earnings per Share

	5 Year Financial Model						P/FCF	FV	PV	Total ROR	CAGR
Bear	Current	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	15.0x	\$128.04	\$75.98	5.4%	1.1%
	\$5.30	\$5.83	\$6.41	\$7.05	\$7.76	\$8.54	20.0x	\$170.71	\$101.31	40.5%	7.0%
		10%	10%	10%	10%	10%	25.0x	\$213.39	\$126.64	75.6%	11.9%

Discount Rate: 11%

5-year DCF – Earnings per Share

	5 Year Financial Model					P/FCF	FV	PV	Total ROR	CAGR	
Base	Current	2021	2022	2023	2024	2025	15.0x	\$153.07	\$90.84	26.0%	4.7%
	\$5.30	\$6.04	\$6.89	\$7.85	\$8.95	\$10.20	20.0x	\$204.09	\$121.12	68.0%	10.9%
	14%	14%	14%	14%	14%		25.0x	\$255.12	\$151.40	110.0%	16.0%

Discount Rate: 11%

5-year DCF – Earnings per Share

5 Year Financial Model							P/FCF	FV	PV	Total ROR	CAGR
Bull	Current	<i>2021</i>	<i>2022</i>	<i>2023</i>	<i>2024</i>	<i>2025</i>	15.0x	\$166.98	\$99.09	37.4%	6.6%
	\$5.30	\$6.15	\$7.13	\$8.27	\$9.60	\$11.13	20.0x	\$222.64	\$132.12	83.3%	12.9%
	16%	16%	16%	16%	16%	25.0x	\$278.30	\$165.15	129.1%	18.0%	

Discount Rate: 11%

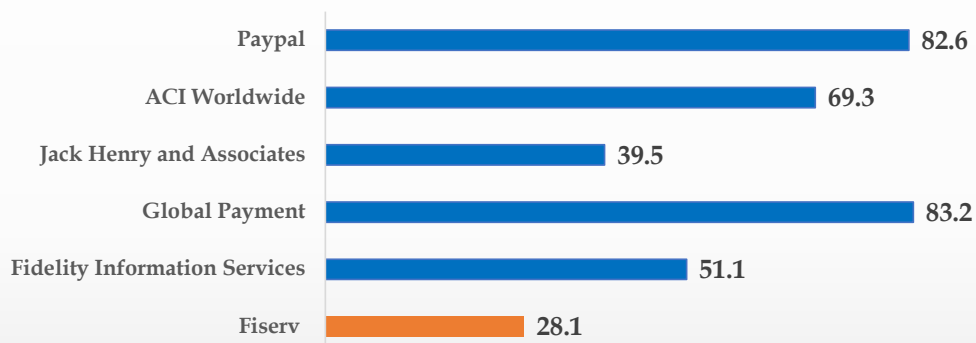
5-year DCF – Earnings per Share

Discount Rate: 10%

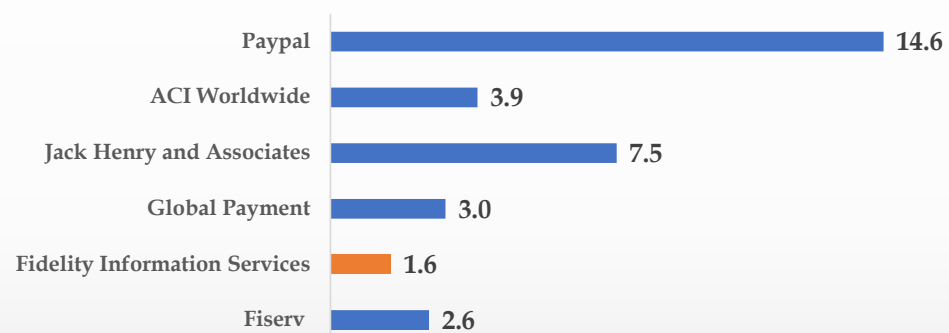
	10%	14%	16%
15.0x	1.1%	4.7%	6.6%
20.0x	7.0%	10.9%	12.9%
25.0x	11.9%	16.0%	18.0%

Industry Comps

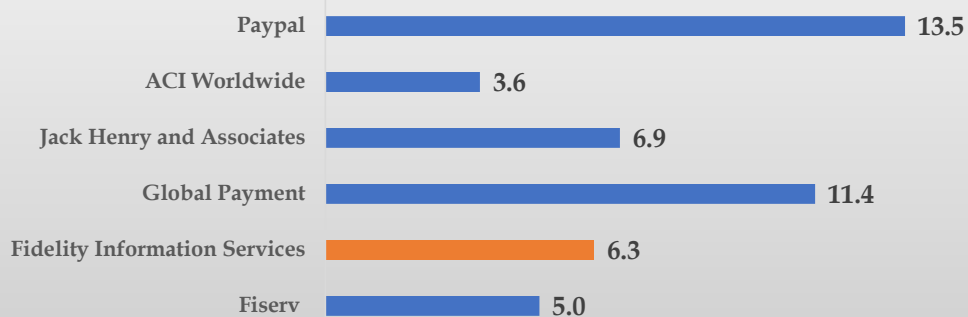
Price/Earnings



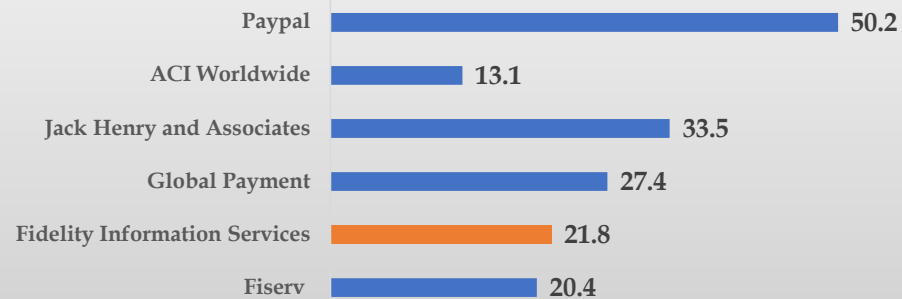
Price/Book



Price/Sales

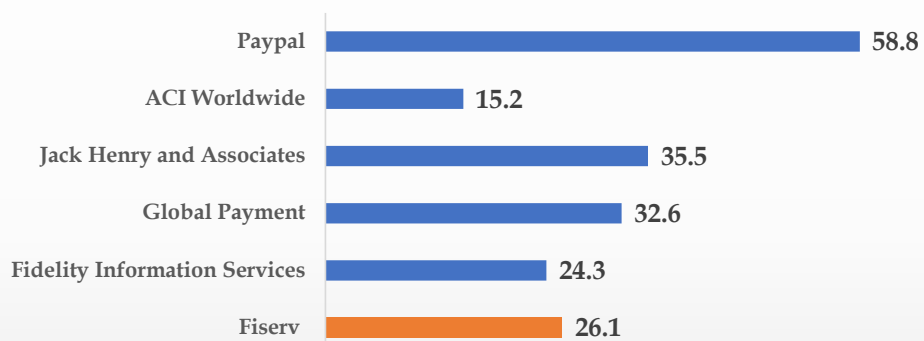


Price/Operating Cash Flow

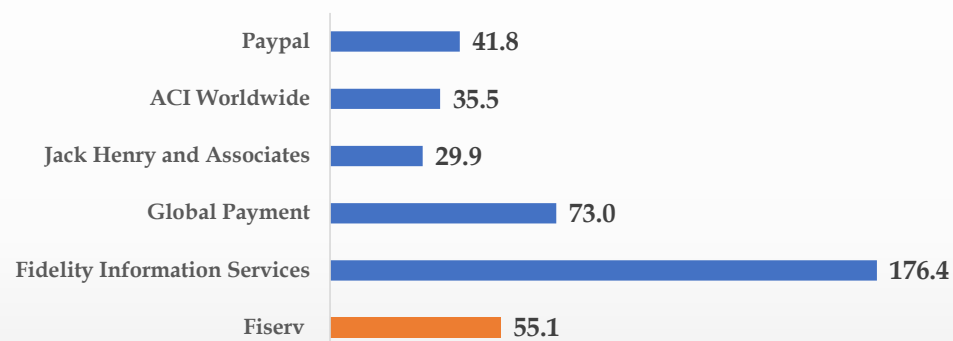


Industry Comps

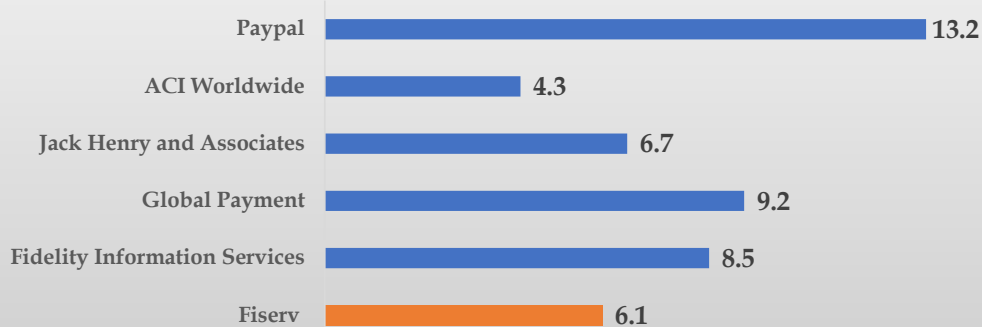
Price/Free Cash Flow



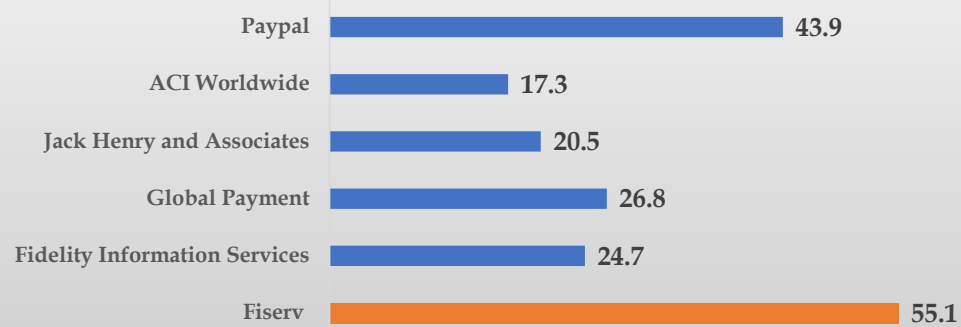
EV/EBIT



EV/Sales

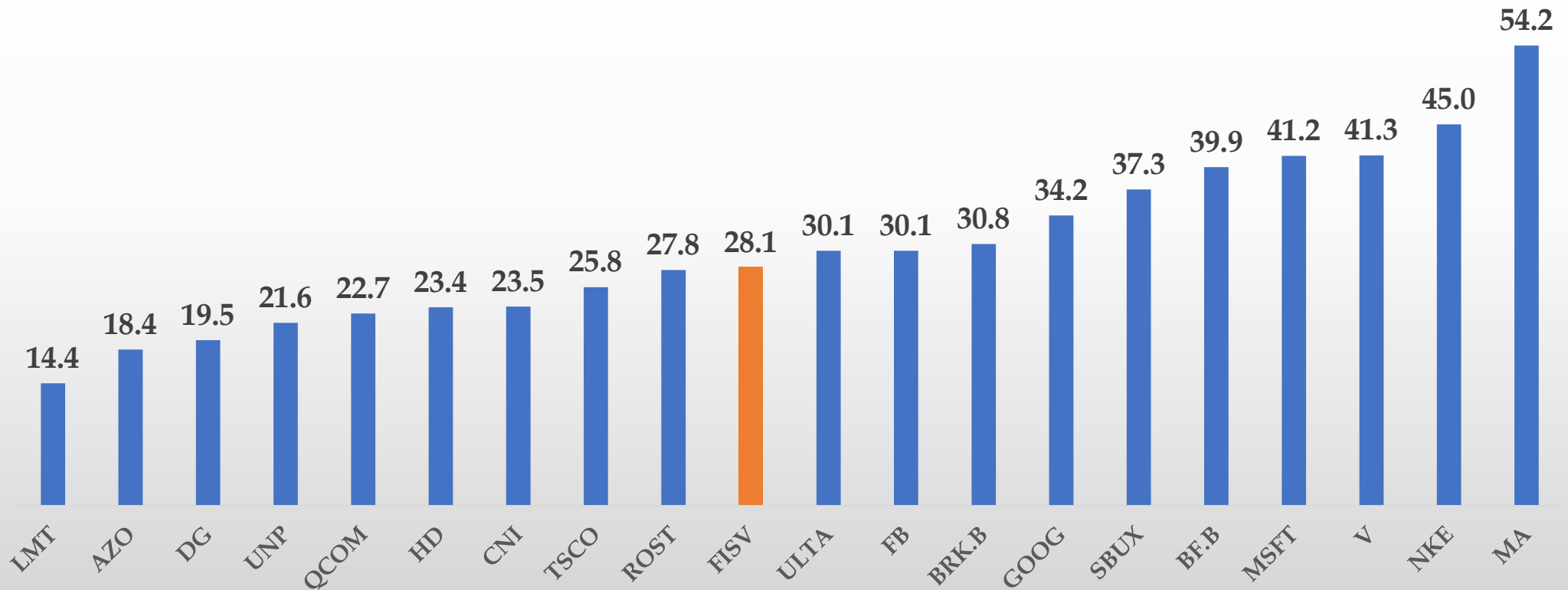


EV/EBITDA

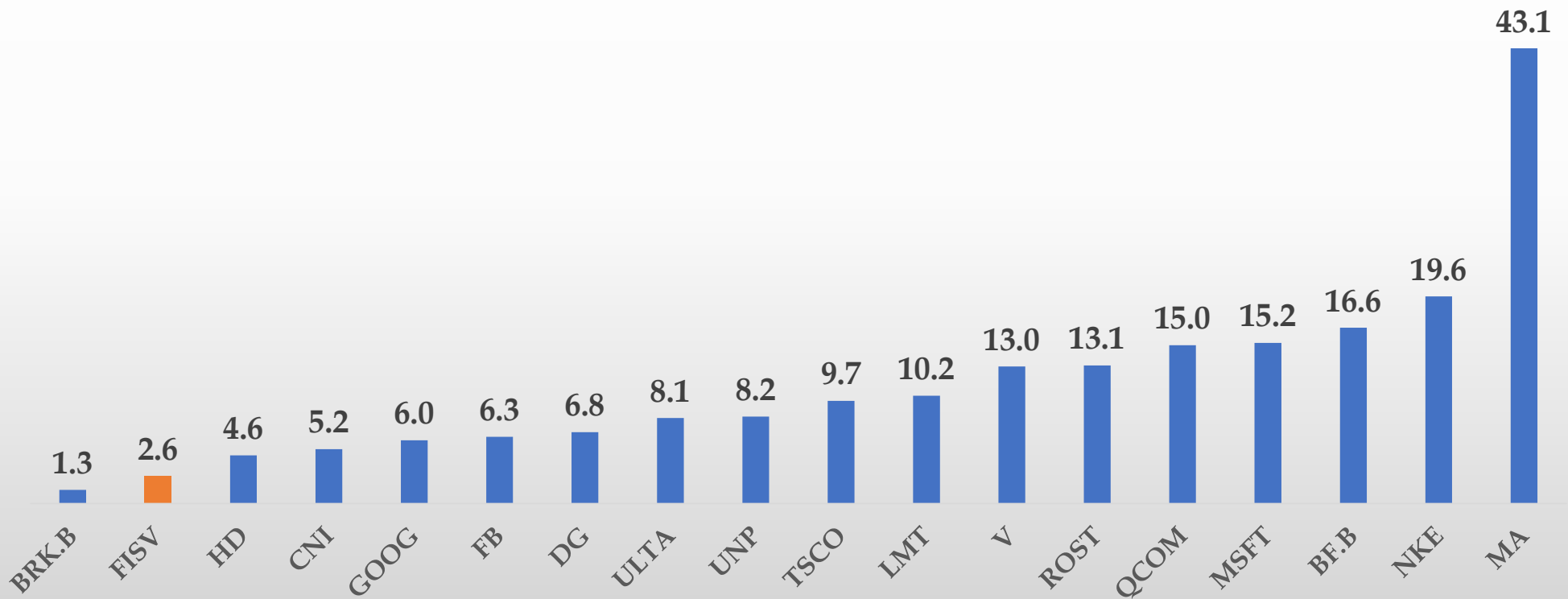


Intraportfolio Valuations

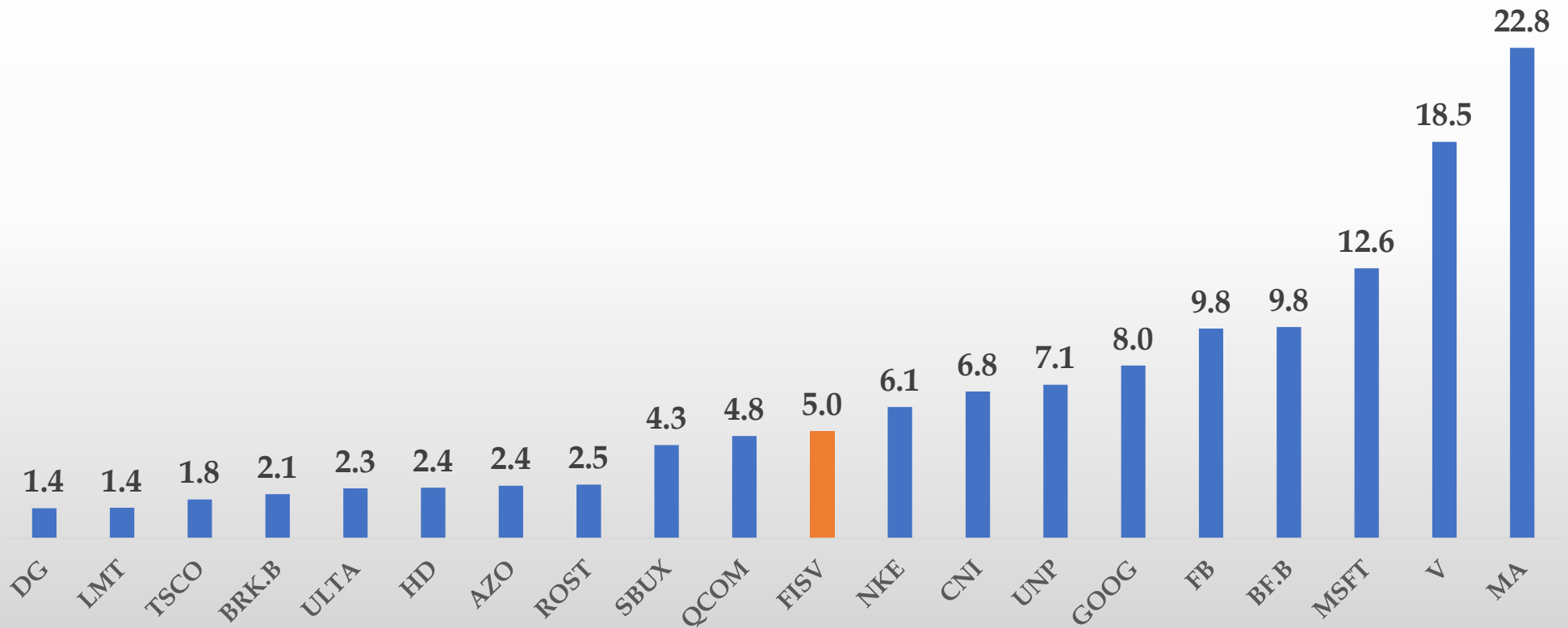
Price/Earnings



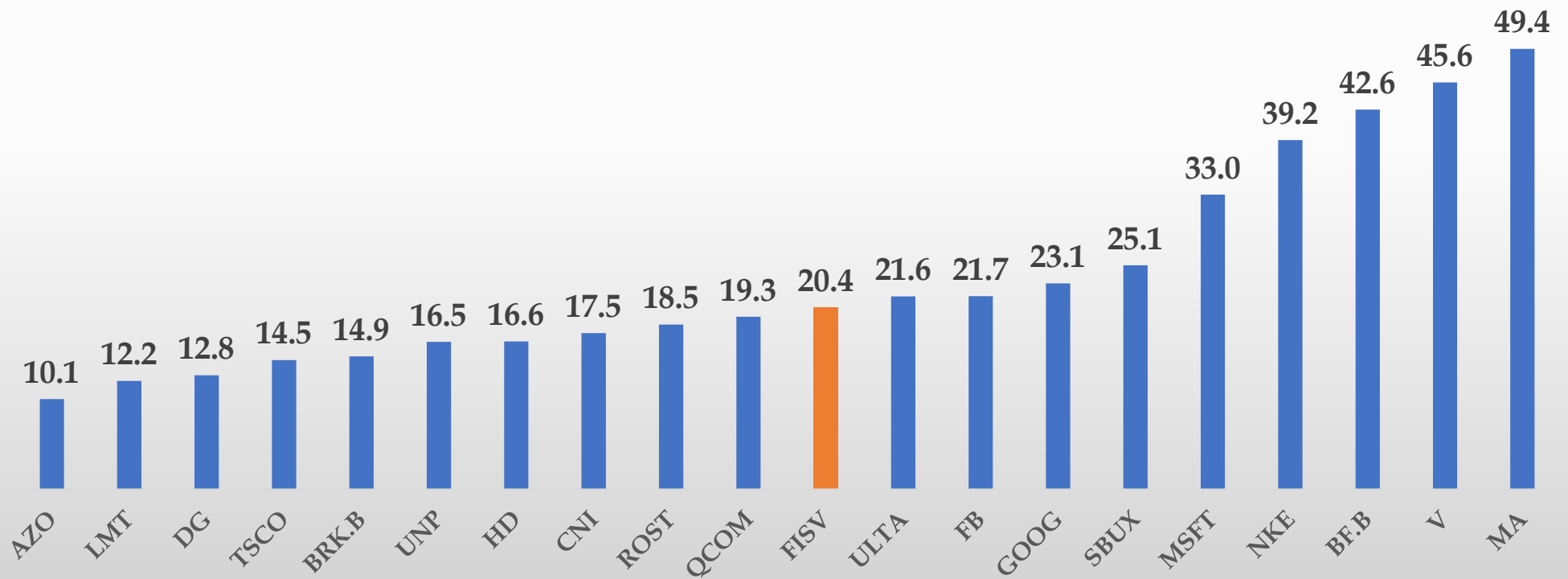
Price/Book



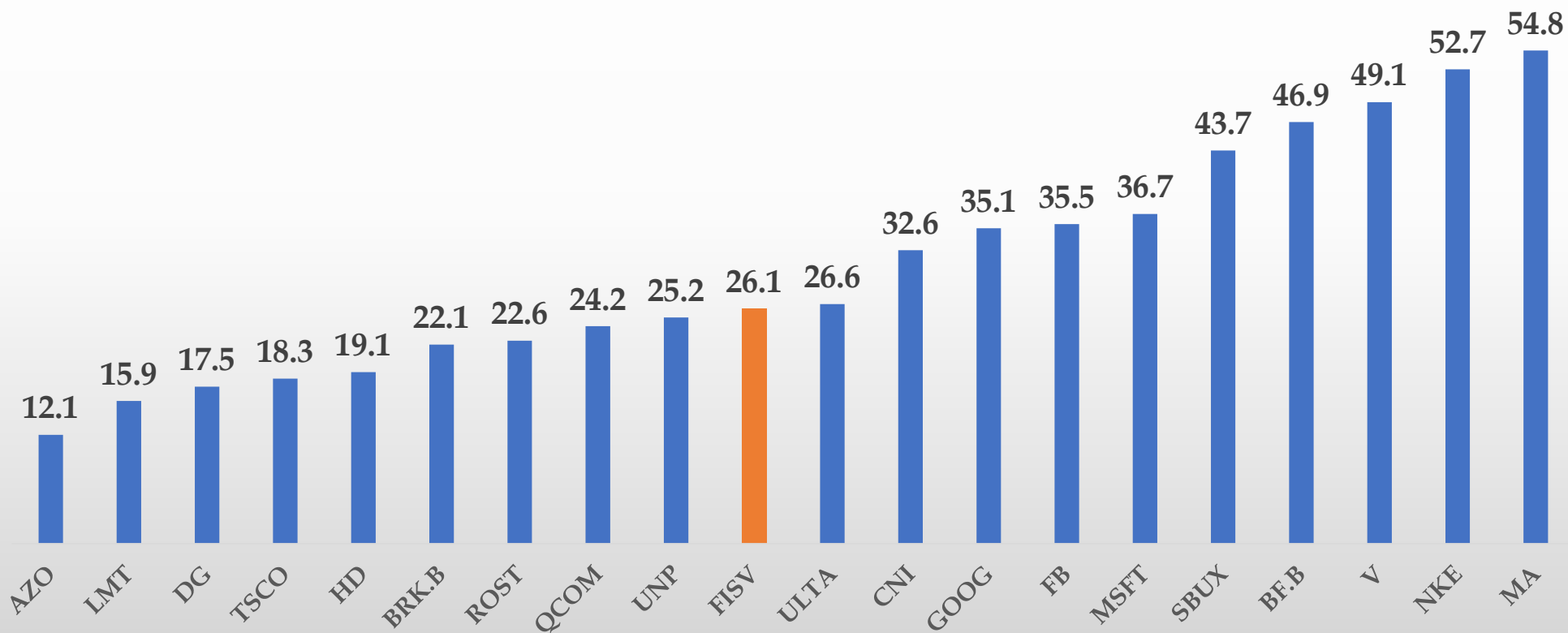
Price/Sales



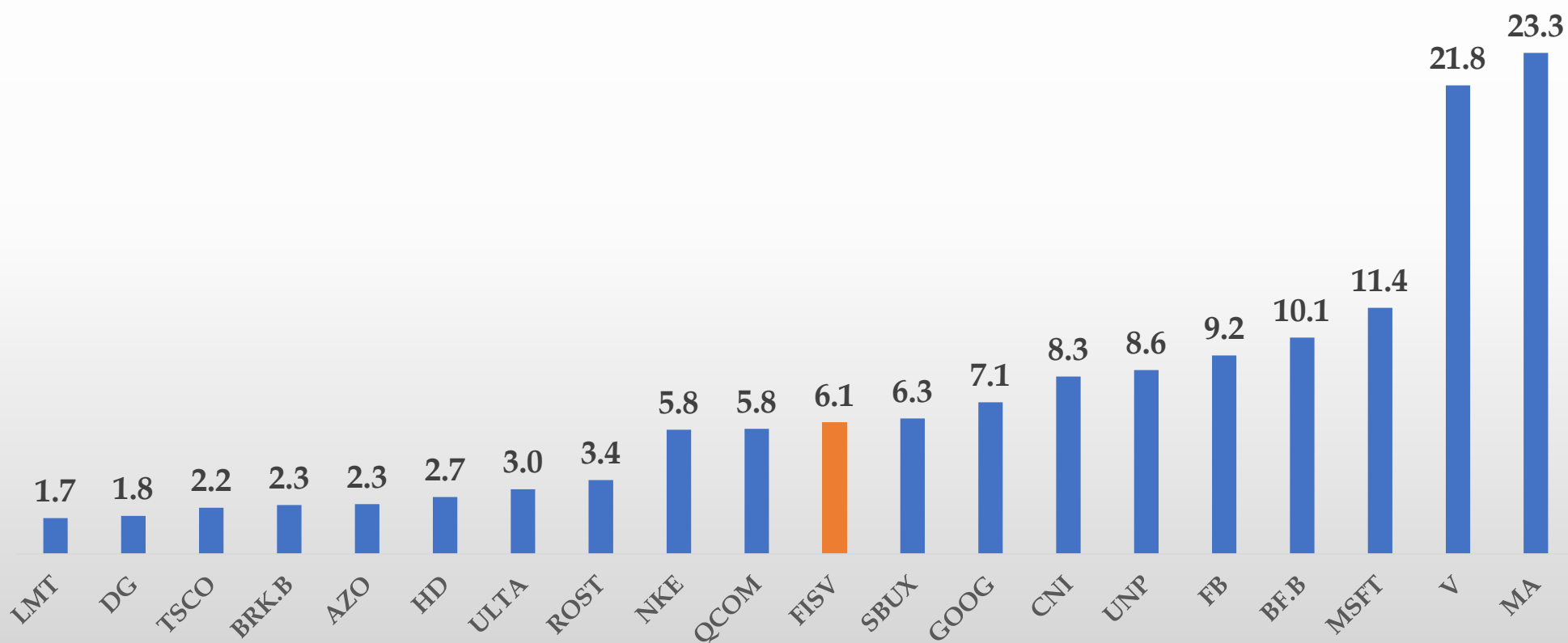
Price/Operating Cash Flow



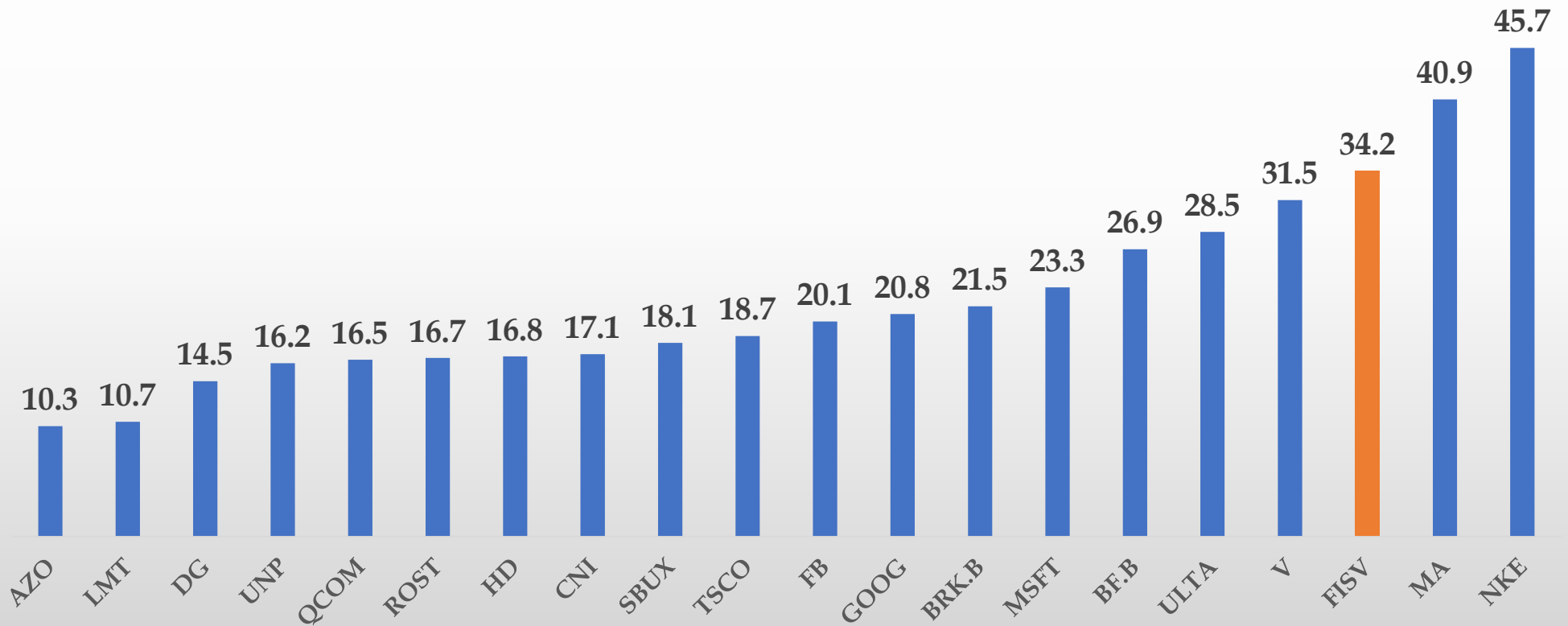
Price/Free Cash Flow



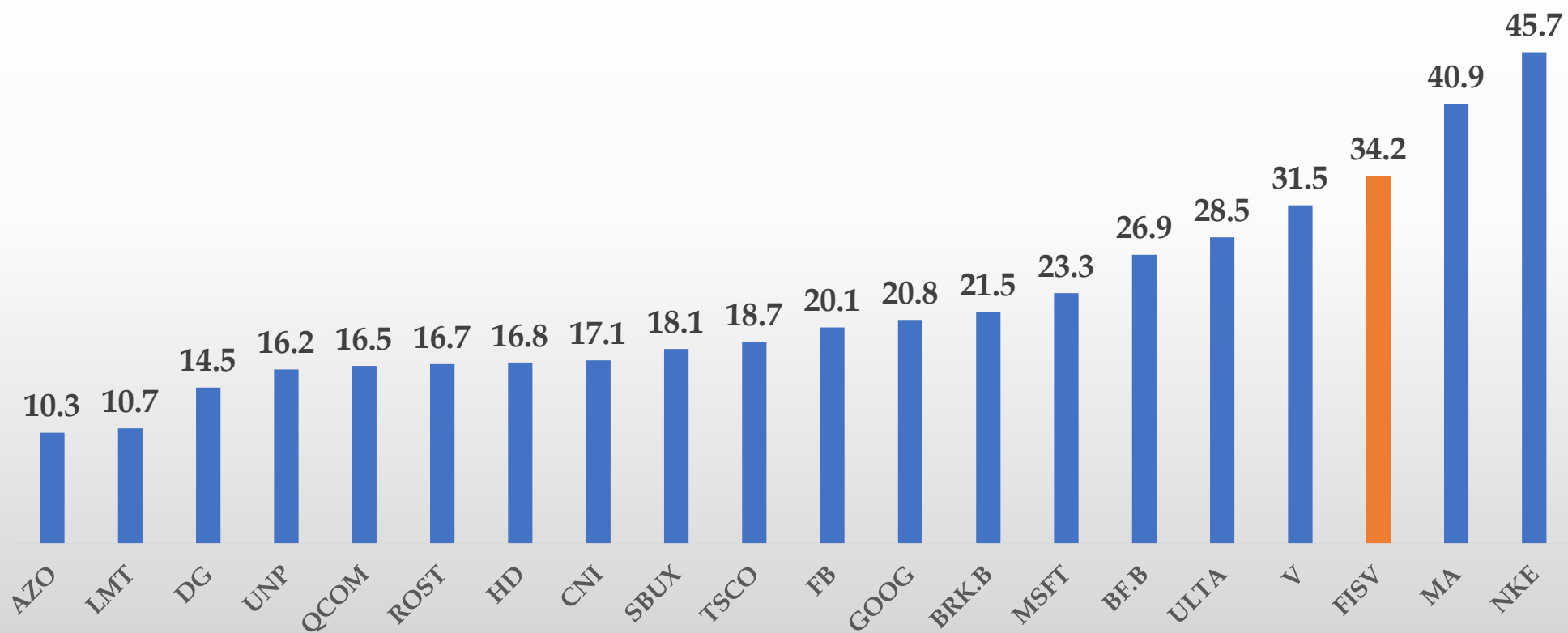
EV/Sales



EV/EBIT



EV/EBITDA



Conclusion

Conclusion

Conclusion

- Great business
- Phenomenal assets
- Reasonable valuation
- Great runway for growth

Very
Frugalicious



Recommendation

- Write 3 option contracts
- Strike price \$110
- Limit premium \$2.85
- Cost average \$107.15
- Expiration date June 18, 2021

The Frugalicious Team



Esam Hijazi



Luis Green



Brandon Chaney



Rafael Bracho



Diego Garcia

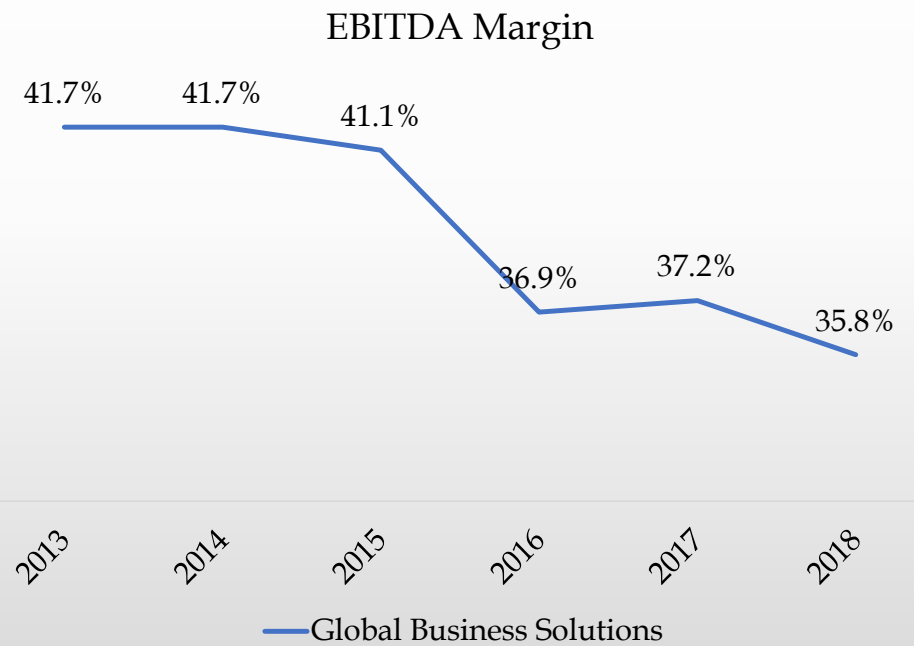
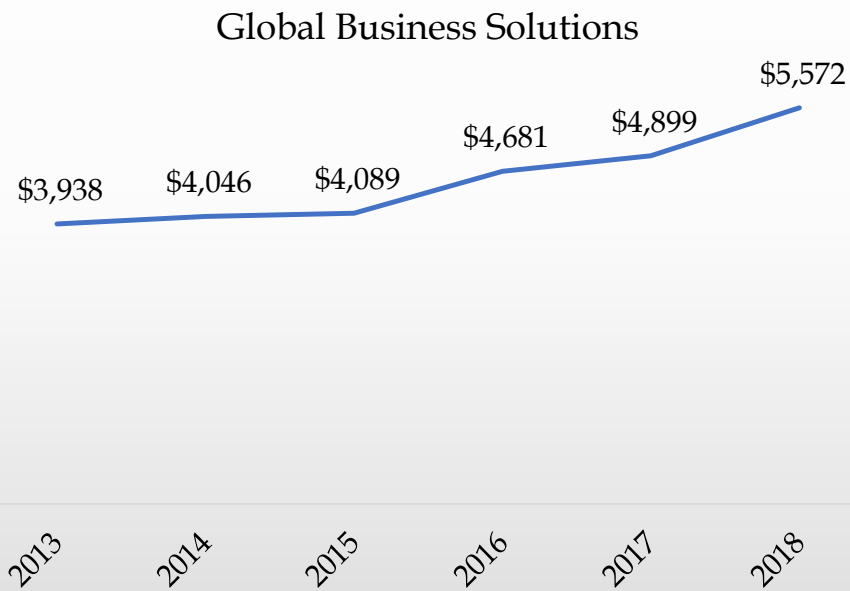


Ethan Sanchez



Appendix

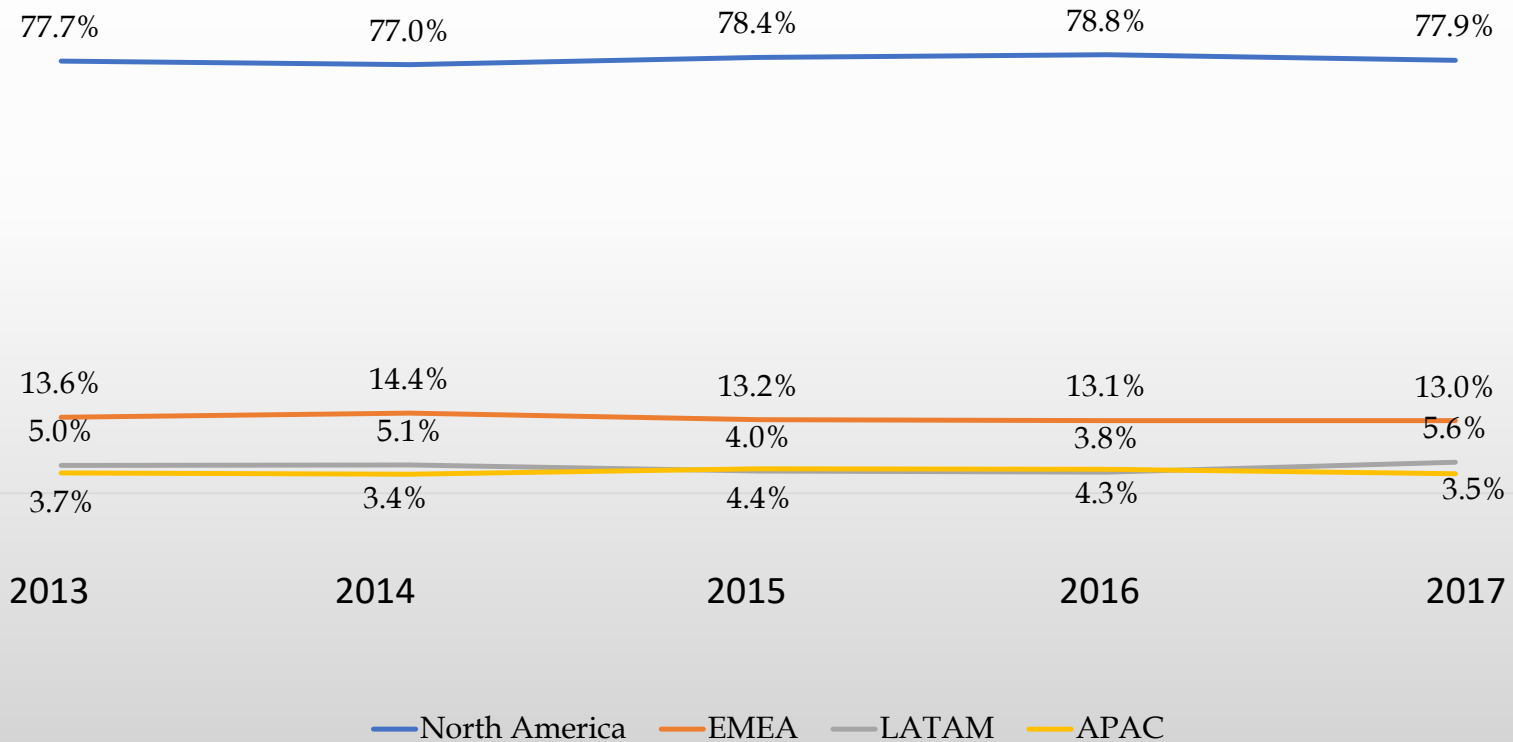
Global Business Solutions (GBS)



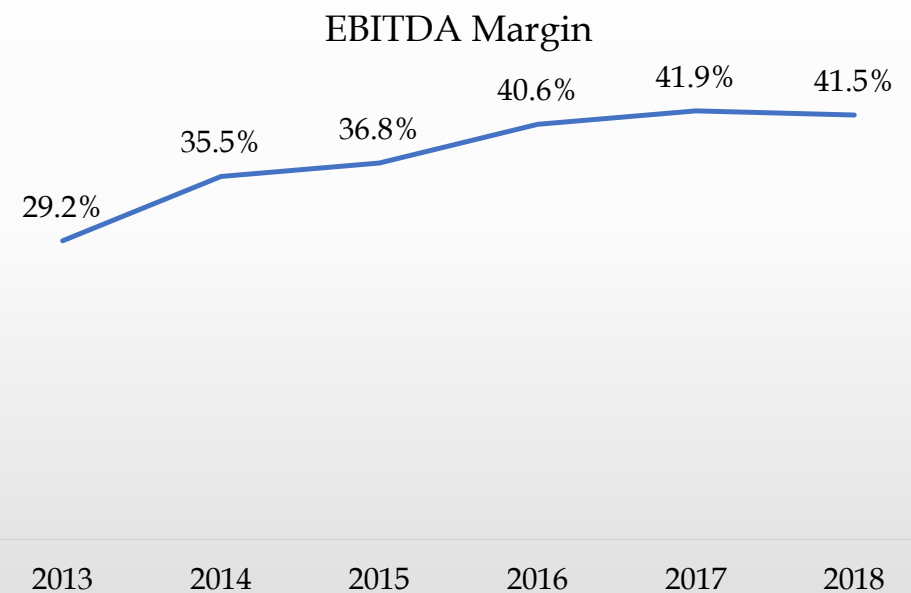
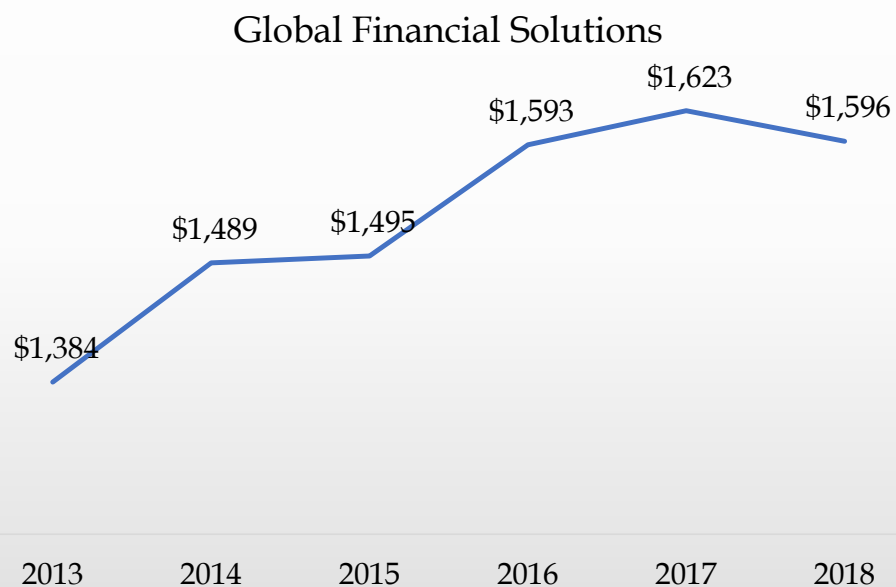
CAGR		
	5-YEAR	3-YEAR
Global Business Solutions	7.2%	10.9%

Global Business Solutions (GBS)

GBS Global Business Solutions by Geography



Global Financial Solutions (GFS)

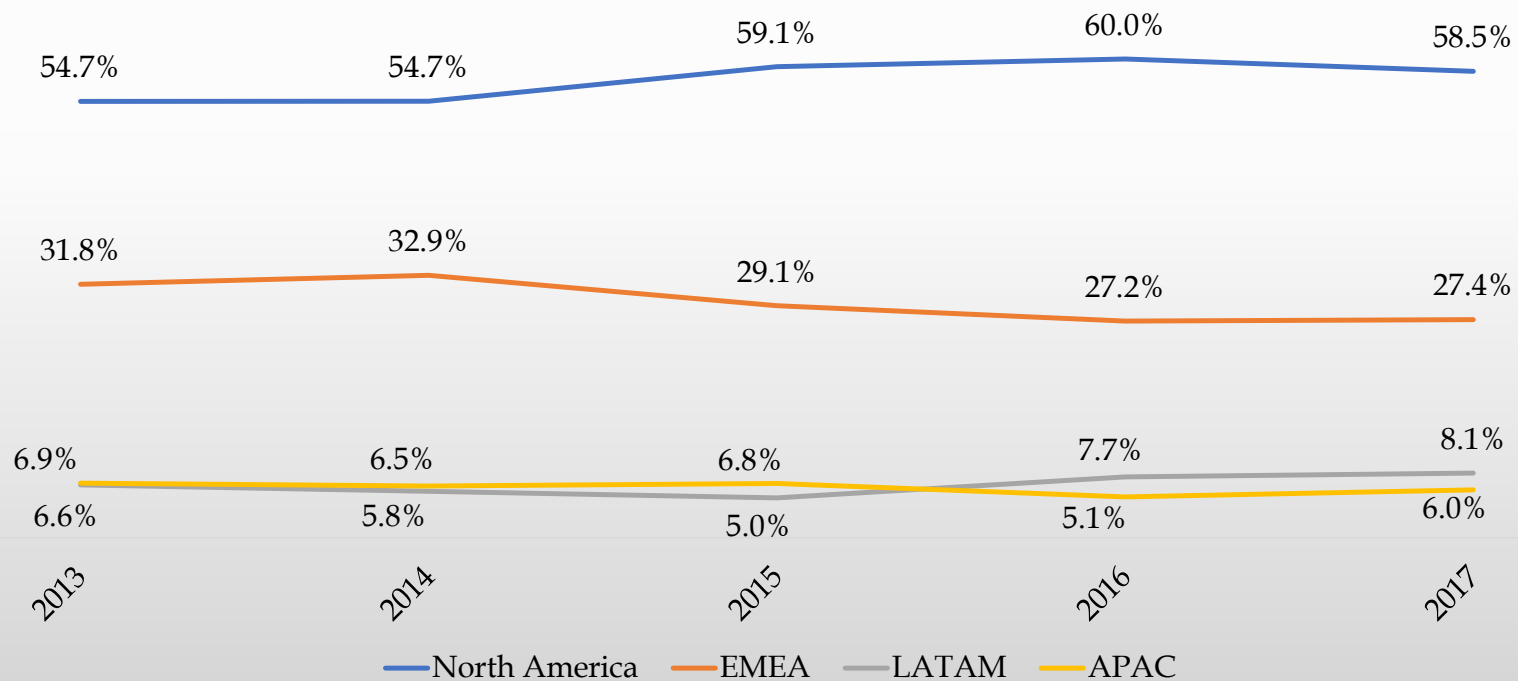


— Global Financial Solutions

CAGR		
	5-YEAR	3-YEAR
Global Financial Solutions	2.9%	2.2%

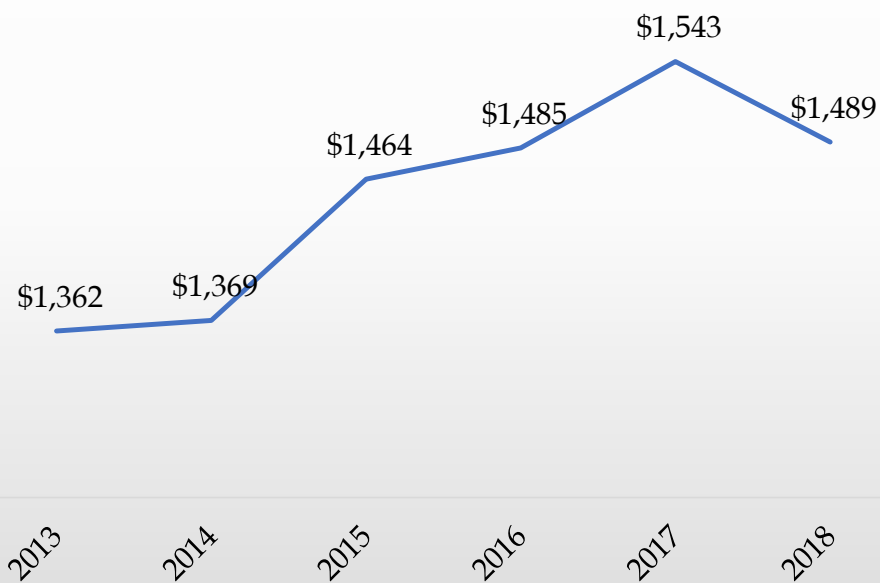
Global Financial Solutions (GFS)

Global Financial by Geography

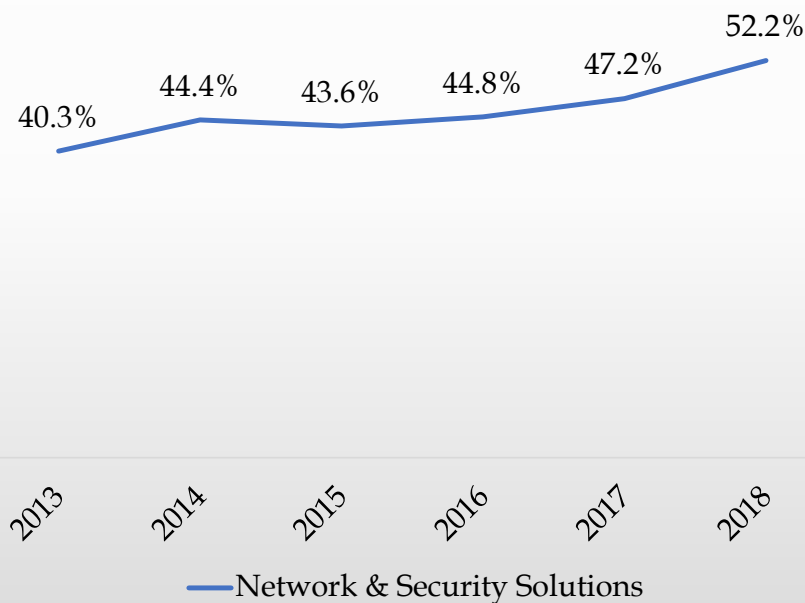


Network & Security Solutions (NSS)

Network & Security Solutions



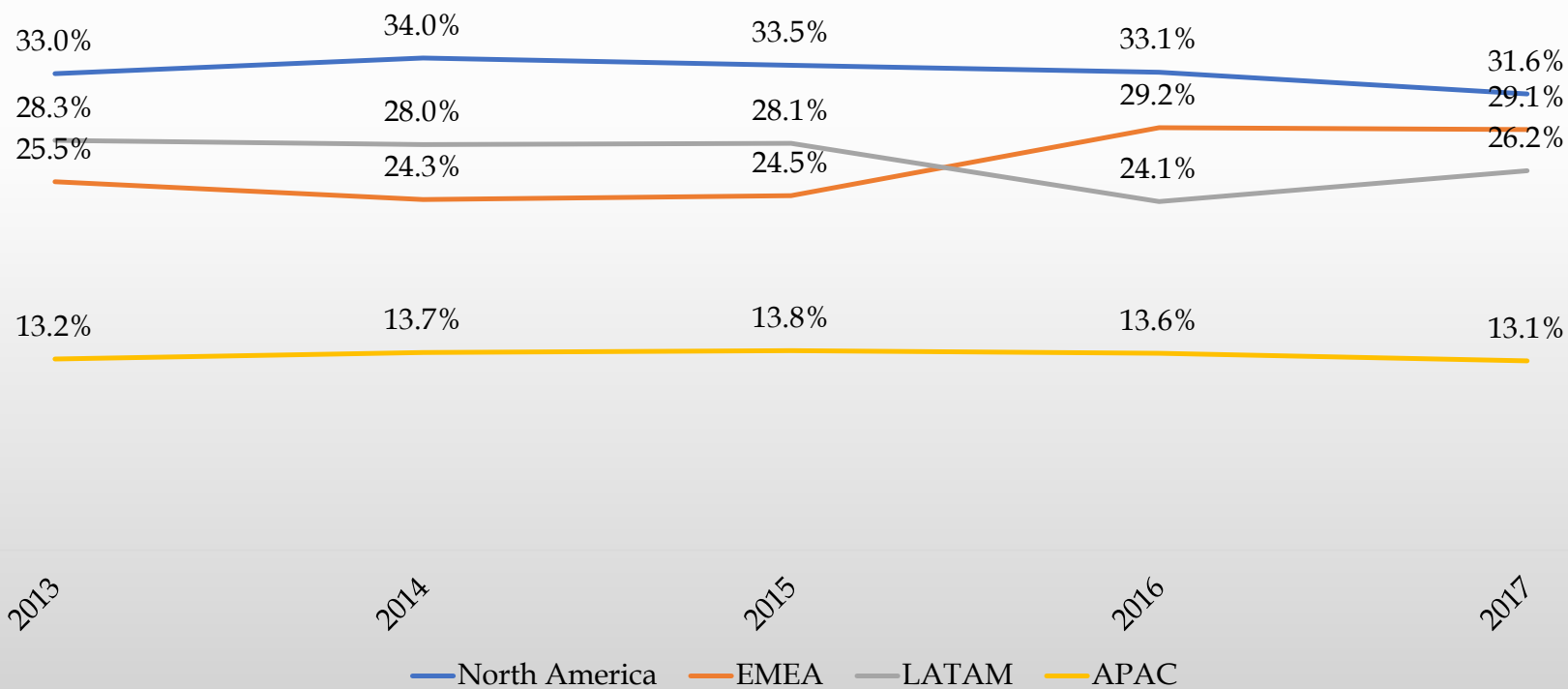
EBITDA Margin



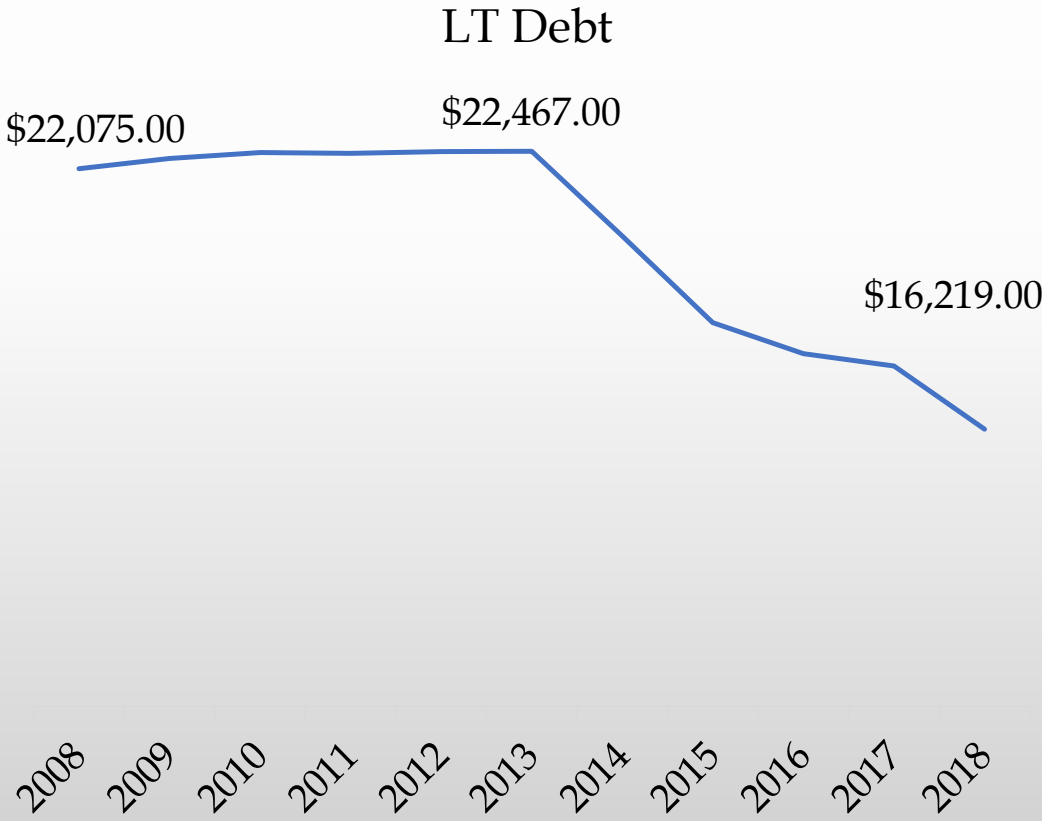
CAGR		
	5-YEAR	3-YEAR
Network & Security Solutions	1.8%	0.6%

Network & Security Solutions (NSS)

Network & Security Solutions by Geography



Long Term Debt & Obligation Ratio

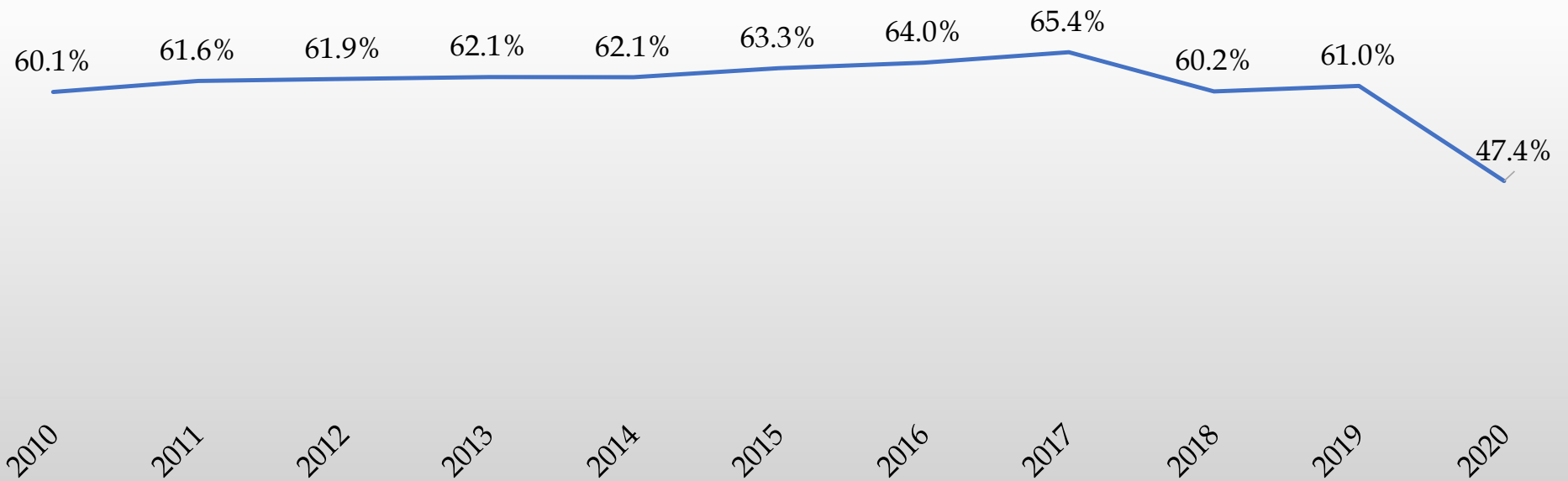


Obligation Ratio 2018			
	Cash Assets	\$ 555	
	Leases *7	\$ 413	
	ST Debt	\$ 1,062	
	LT Debt	\$ 16,219	
2018	Net Income	\$ 1,005	17.05

Combined IOFS

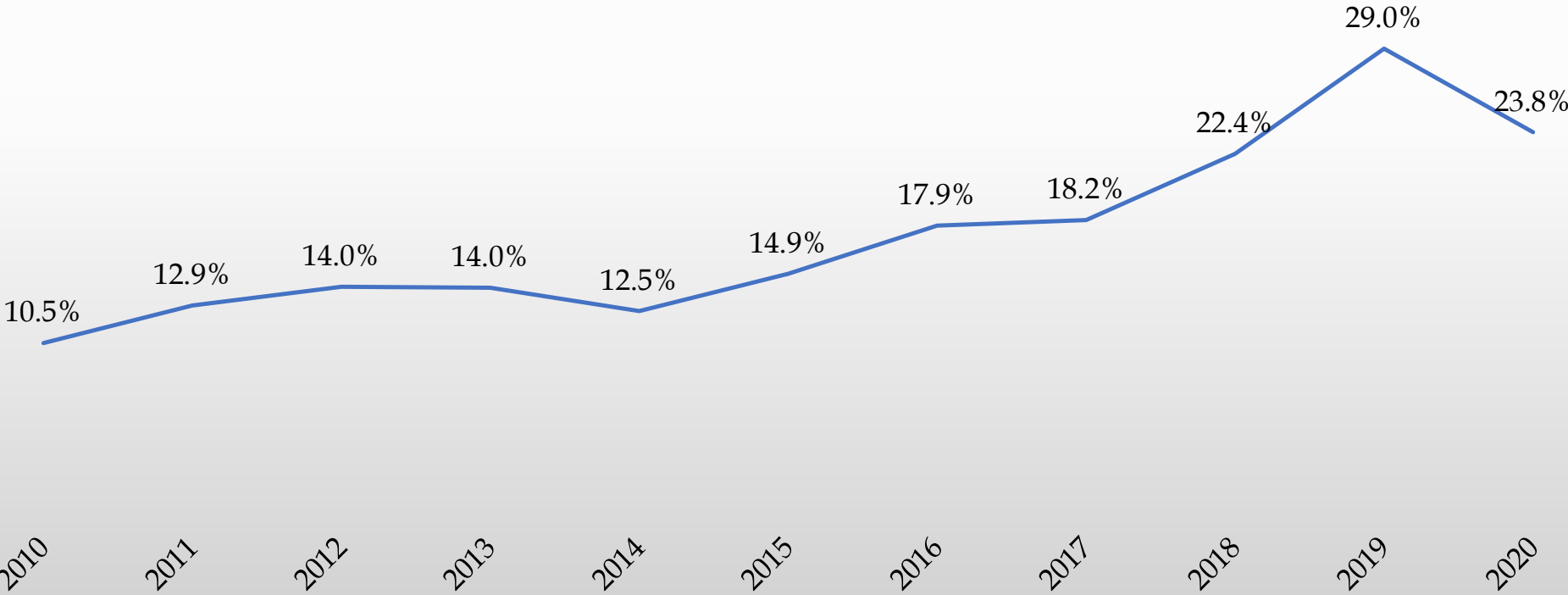
Gross Profit Margin

Fiserv + FirstData



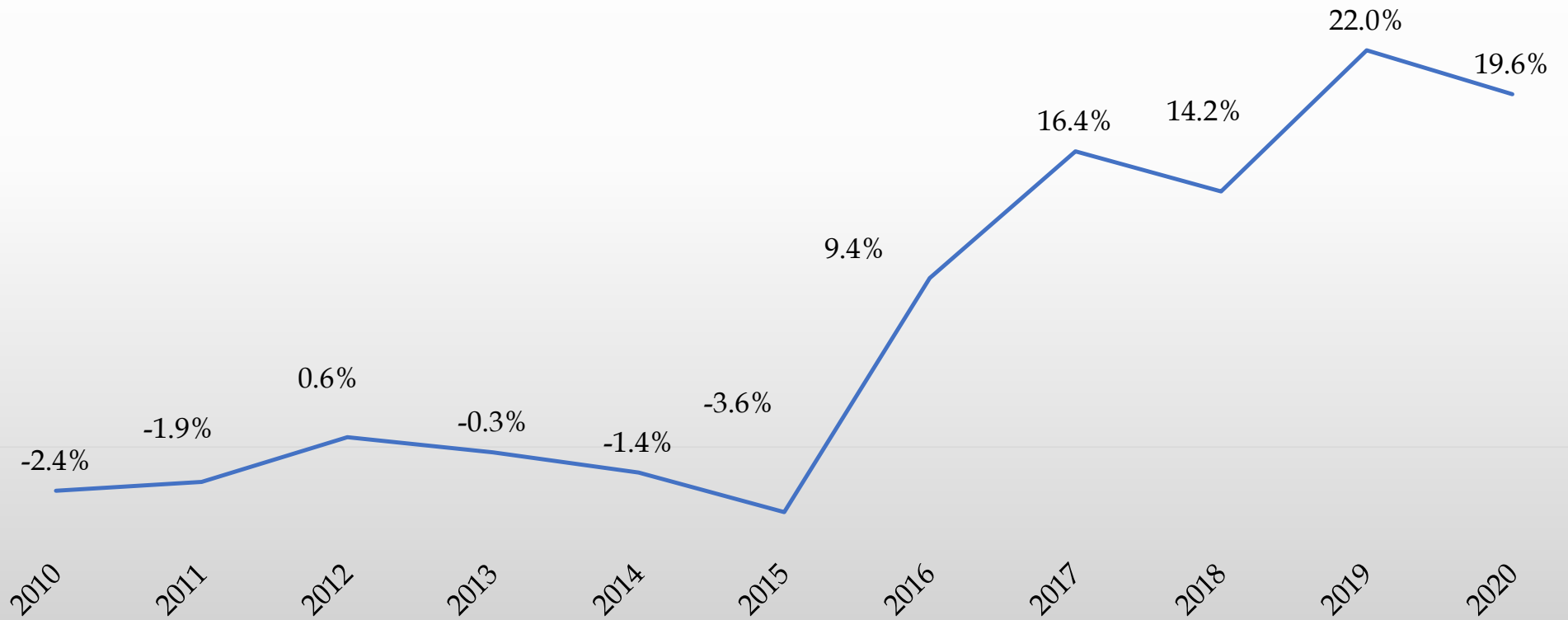
Operating Margin

Fiserv + FirstData



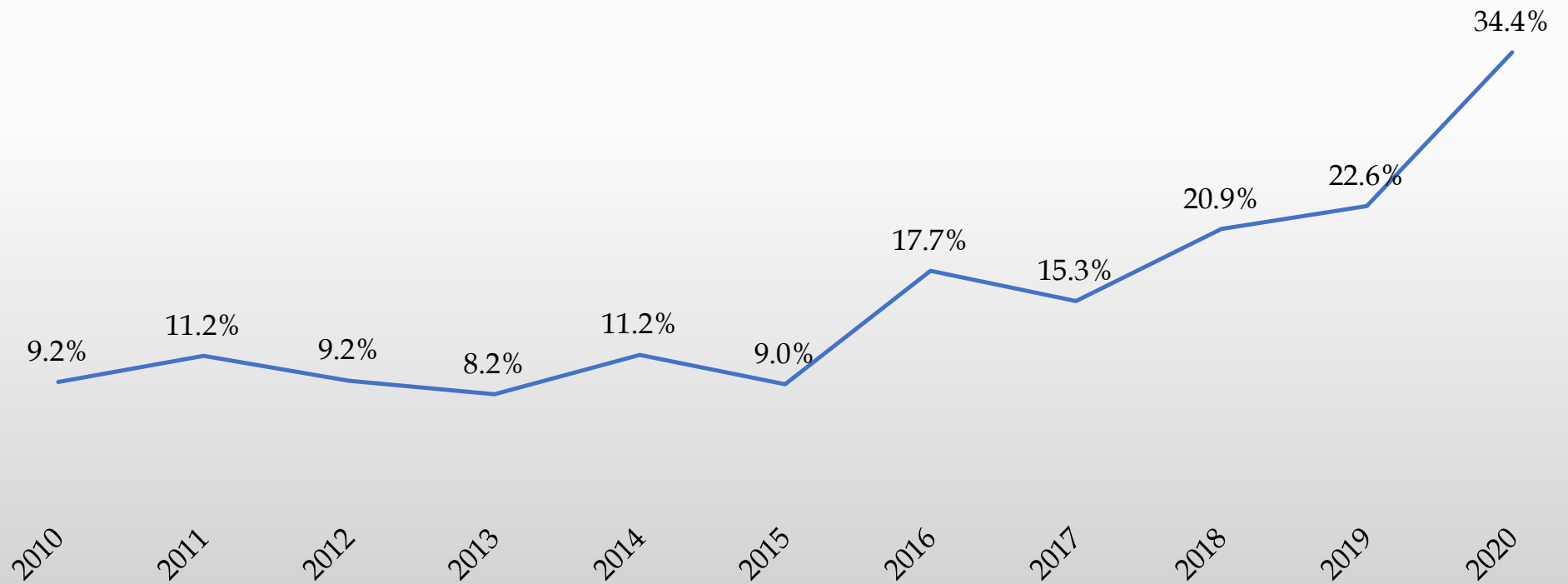
Net Margin

Fiserv + FirstData



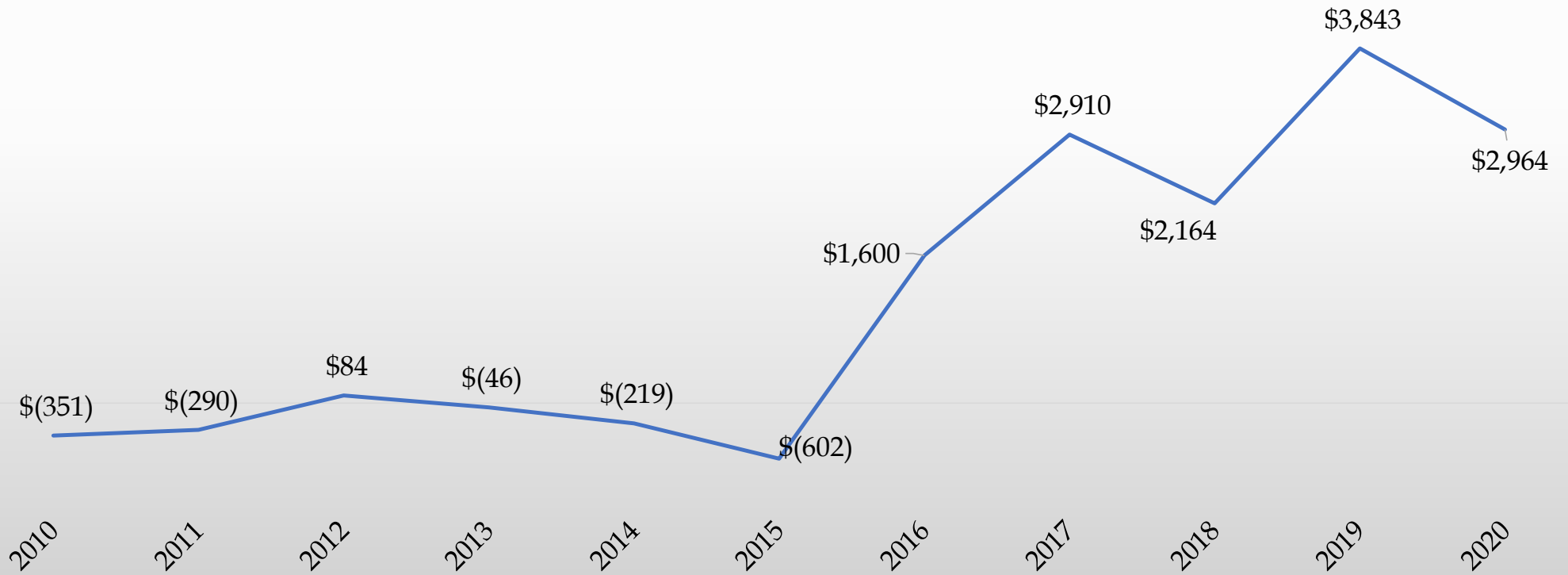
Free Cash Flow Margin

Fiserv + FirstData



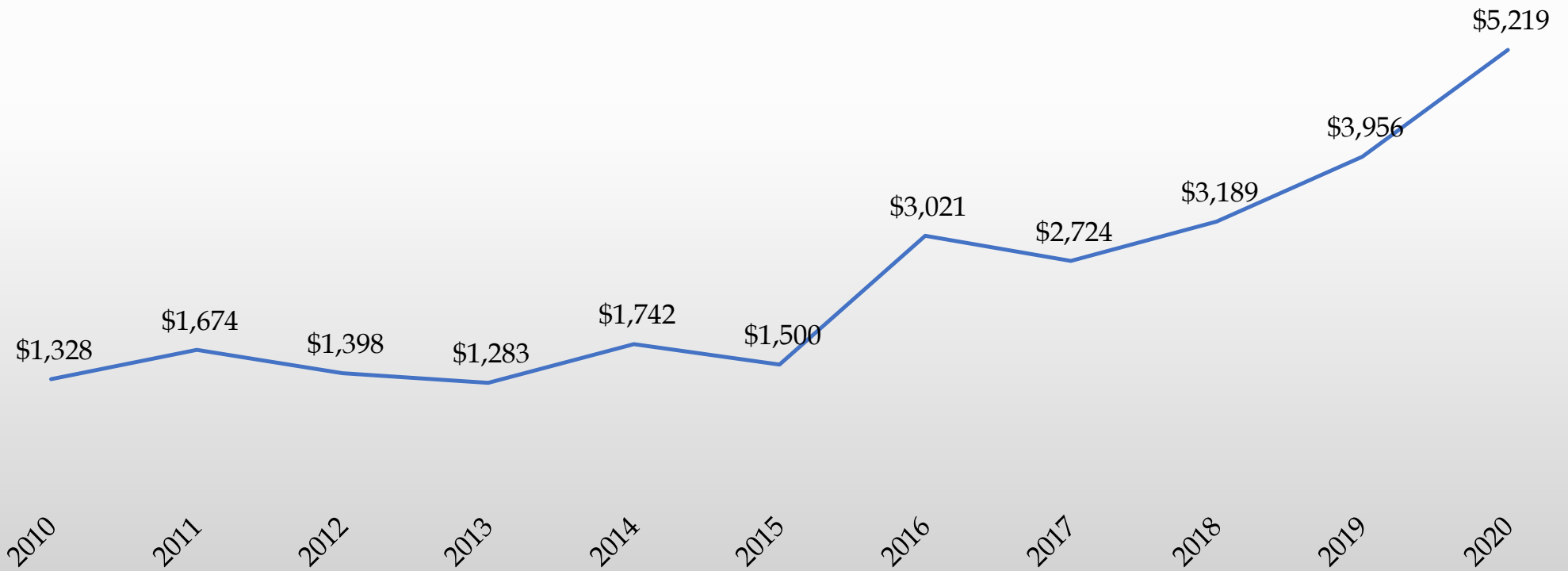
Net Income

Fiserv + FirstData

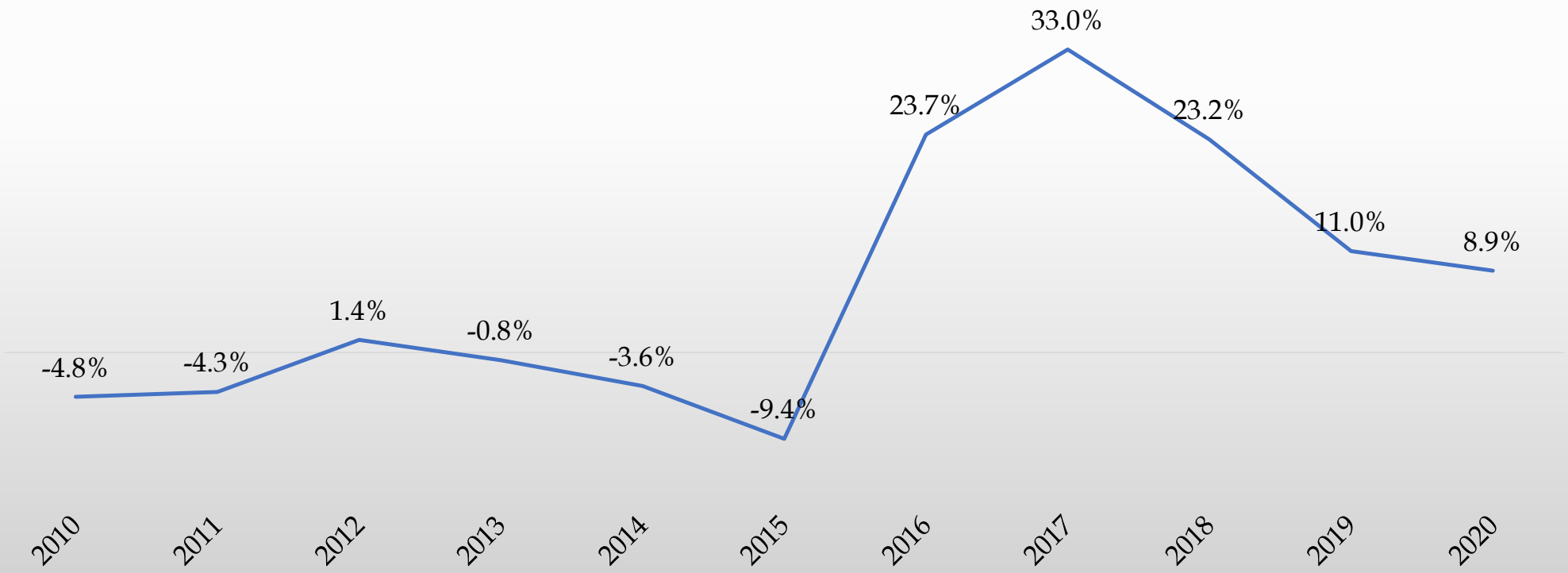


Free Cash Flow

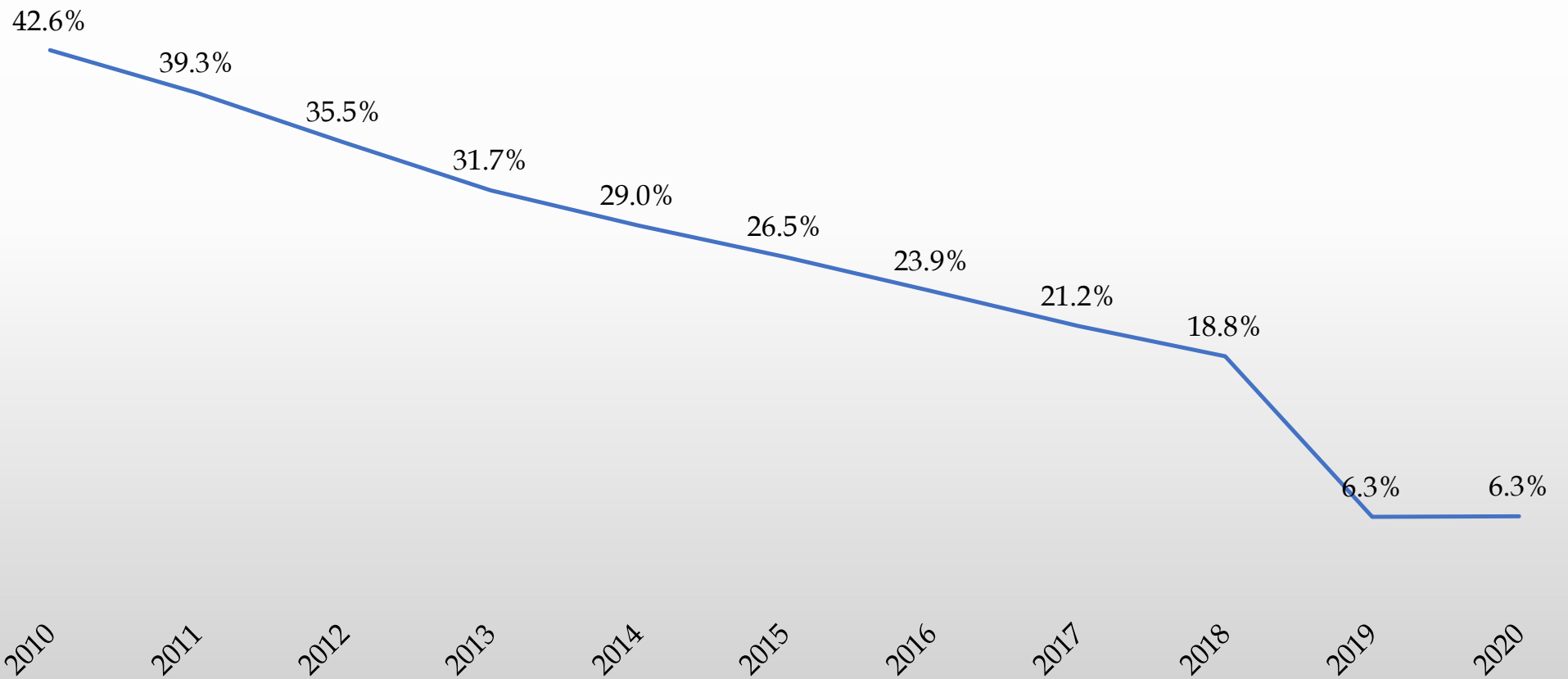
Fiserv + FirstData



Fiserv + First Data

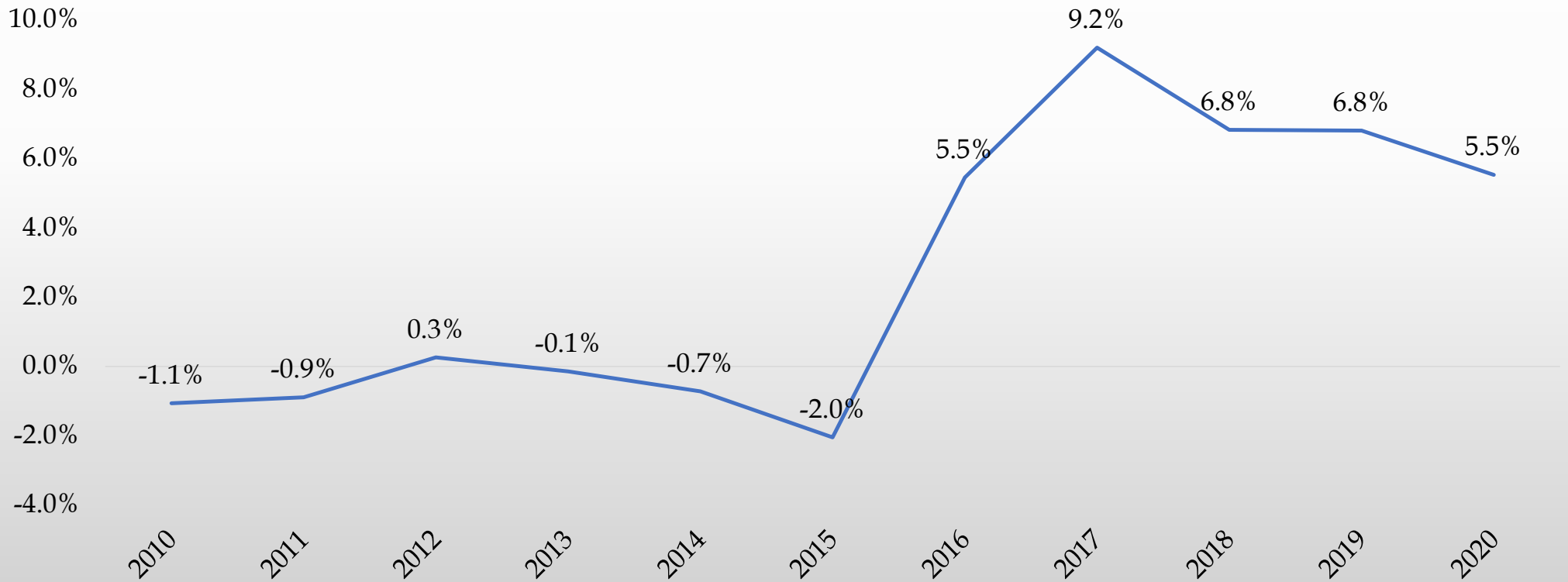


ROE with FCF



Return on Capital

Fiserv + First Data



Management's Growth Guidance

Merchant Acceptance

ISV expansion
Clover value-added services
E-Commerce/omnichannel
Enable digital in SMB
Bank merchant
International expansion

2019 Growth Rate **10%** | Medium-Term **9-12%**

Fintech

Growth in \$1-50B asset FIs
International synergies
Enhanced digital product offerings
Innovative surround solutions
Periodic revenue headwinds
subsidiary

2019 Growth Rate **3%** | Medium-Term **4-6%**

Payments

Implementing large issuer deals
Digital payments
Print and card synergies
Network optimization synergies
International and community
credit synergies
Zelle client onboarding

2019 Growth Rate **4%** | Medium-Term **5-8%**

Total Company

2019 Growth Rate **6%** | Medium-Term **7-9%**

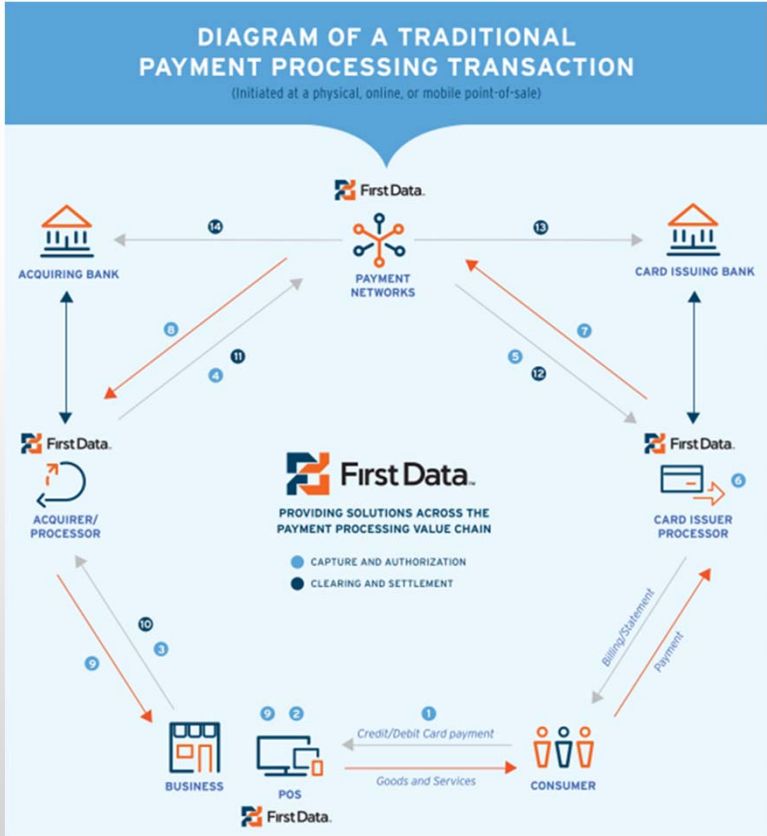
Preliminary 2021 and Medium-Term Performance Outlook

Key Financial Metrics	Preliminary 2021	Medium-Term Outlook 2022-2023
Internal Revenue Growth	7-12%	7-9%
Adjusted EPS Growth	20-25%	15-20%
Other Financial Metrics		
Adjusted Operating Margin Expansion	>250bps	>125bps
Free Cash Flow Conversion	>108%	>105%

Difference between GAAP, NON-GAAP, and FCFPS

	2014	2015	2016	2017	2018	2019	2020	2021E
Non-GAAP EPS	\$ 1.69	\$ 1.94	\$ 2.22	\$ 2.56	\$ 3.10	\$ 4.00	\$ 4.45	\$ 5.30
Diluted EPS	\$ 1.49	\$ 1.50	\$ 2.08	\$ 2.89	\$ 2.87	\$ 1.71	\$ 1.40	
FCFPS	\$ 2.01	\$ 2.07	\$ 2.55	\$ 2.77	\$ 2.88	\$ 3.97	\$ 4.75	

Network



Efficient Scale

- Significant market share provides competitive pricing power
- Ability to gain market share significantly faster than competitors
- Can quickly adapt offerings to integrate complimentary software

How Do They Make Money?

