



## ANALYST QUICK NOTES

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**Fiserv Inc. (NGS: FISV: BUY)**

**Target Price: \$114**

**Stephen Biggar**

**5/18/2016**

### Investment Thesis

- Upgraded to BUY on May 9 following 1Q EPS:
    - Adjusted EPS of \$1.06, up 19% from a year earlier, \$0.04 ahead of consensus.
    - Adjusted operating margin rose 80 basis points to 31.9%.
    - Management reaffirmed 2016 EPS guidance of \$4.32-\$4.44, implying 12%-15% growth from 2015 on organic revenue growth of 5%-6%.
  - Trend has been to consistently turn mid-single-digit revenue growth into low-teens EPS growth with help from rising operating margins and share buybacks.
    - We believe business model is highly scalable and will lead to consistent improvement in the operating margin.
  - Fin-tech companies continue to do well in current environment as financial services companies spend heavily on two areas: technology infrastructure for efficiency improvement, and compliance.
  - We believe business model will continue to benefit from secular tailwinds of strong technology spending by bank and credit union customers.
    - \$49 billion market growing 4%-5%.
    - Customer spending focused on increasing the efficiency of mobile payments processing.
    - Products include SpotPay in the small business payments market, CardValet for consumer debit account management, and PopMoney, a form of instant payment for consumers and businesses.
  - We raised our 2016 estimate to \$4.36 from \$4.33, or 13% growth from 2015, and 2017 estimate to \$4.96 from \$4.81, implying 14% growth.
  - Target price of \$114 implies a multiple of 26-times our 2016 EPS estimate, up from a current 23.
    - Multiple should expand as margins improve.
    - Mid-teens EPS growth makes for compelling story even without multiple expansion.
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