



ANALYST QUICK NOTES

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Fiserv Inc. (NGS: FISV: BUY)

Target Price: \$122

Stephen Biggar

4/19/2017

Investment Thesis

- FISV reports 1Q EPS on April 26, after market close:
 - We look for \$1.21 vs. consensus of \$1.19.
 - Represents 14% rise year-over-year on 6% revenue growth.
 - EPS has exceeded consensus in three of the past four quarters (in line once).
- FISV has been consistently turning 5%-6% revenue growth into 13%-15% EPS growth on operating-margin improvement and share buybacks.
 - We believe the business model remains highly scalable and will lead to further operating-margin gains.
- Along with 4Q results, management offered 2017 earnings growth guidance of 14%-17%, which was above the consensus at the time:
 - Sees revenue growth accelerating in the second half of the year on a recovery of delayed implementations in 2016.
- Fin-tech companies remain in sweet spot for outlays by Financial Services companies, which are focused on technology infrastructure spending for efficiency improvement and compliance.
 - FISV offers technology solutions for mobile and online banking, payments, risk management, data analytics and account processing.
- Secular tailwinds of strong technology spending by bank and credit union customers expected to continue.
 - Bank technology spending is growing 4%-5%.
 - Banking industry spending is focused on increasing the efficiency of mobile payments processing.
 - FISV 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 look for EPS of \$5.09 in 2017, or 15% growth.
 - Our target price of \$122 implies a multiple of 24-times our 2017 EPS estimate:
 - Multiple should expand as margins improve, and growth consistency is recognized.
 - Mid-teens EPS growth makes for compelling story even without multiple expansion.
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