



ANALYST QUICK NOTES

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Fiserv Inc. (NGS: FISV: BUY)

Target Price: \$135

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6/14/2017

Investment Thesis

- FISV has been consistently turning 5%-6% revenue growth into mid-teens EPS growth on operating margin improvement and share buybacks.
 - Account processing, online bill payment, mobile banking, and debit card transaction processing showing good industry growth.
 - 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.
 - In our view, business model remains highly scalable and will lead to further operating margin gains.
- Along with 1Q results, management reiterated 2017 earnings growth guidance of 14%-17% on 5%-6% revenue growth:
 - Sees revenue growth accelerating in the second half of the year on a recovery of delayed implementations in 2016.
- Sentiment among bank customers, particularly mid-sized banks, improving on rate increases and potential for de-regulation:
 - Company has noted more active conversations on digital, commercial services and cybersecurity.
- On June 13, announced agreement to acquire U.K.-based Monitise:
 - The Monitise FINkit integrates online and mobile banking capabilities.
 - Augments FISV's digital strategy.
- FISV is hosting an Investor Conference in NY on June 20:
 - Potential catalysts among strategic and financial updates.
- Secular tailwinds of strong technology spending by bank and credit union customers expected to continue.
 - Bank technology spending has been growing 4%-5% per year.

- Fin-tech companies remain in sweet spot for outlays by financial services companies, which are focused on technology infrastructure spending for efficiency improvement, compliance and security.
 - FISV also offers solutions for risk management and data analytics.
 - We raised our 2017 EPS estimate to \$5.17 from \$5.09 after 1Q results, or 17% growth. See \$5.82 in 2018.
 - Consensus is \$5.13 and \$5.75.
 - Target price of \$135 implies a multiple of 26-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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