



ANALYST QUICK NOTES

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Fiserv Inc. (NGS: FISV: BUY)

Target Price: \$135

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Overview

- On Tuesday, June 20, we attended Fiserv's New York investor presentation. We believe the following are the important points:
 - Management remains committed to a long-term internal revenue growth rate target range of 4%-8% with EPS growth of 11%-18%. Management reiterated FY17 guidance with internal revenue growth of 4%-5% and adjusted earnings per share of \$5.03-\$5.17, implying growth of 14%-17%. Adjusted operating margins should expand at least 50 basis points. FCF-to-adjusted net income is expected at 108%-111%.
 - Management highlighted a fleet of 18 innovative products targeting peer-to-peer payments, electronic bill and card solutions, and integrated account services, among others:
 - Mobiliti is poised to capitalize on increasing adoption of mobile and digital banking, allowing customers to manage and monitor their bank accounts through iPhone or tablet devices.
 - Popmoney and Zelle offer real-time peer-to-peer transaction services as well as fraud and risk tools. Management expects peer-to-peer annual revenue to increase four-fold by 2022.
 - eBill offers paperless billing so clients and consumers can easily distribute and pay their bills in one place. The company also announced that consumers can pay their bills through award-winning app on Amazon's Alexa device.
- Management briefly noted the potential impact of Monetise, a financial services company with digital banking solutions for clients and consumers, to be acquired for approximately 70 million pounds. Monetise complements Fiserv's consumer-facing products by providing banks with end-to-end Fintech integration, while expanding Fiserv's global client base.

- Management noted that it is about halfway through its five-year operational efficiency program which should yield at least \$250 million in marginal savings. Thus far, the company has captured about 40% of its \$250 million savings goal; however, management expects greater savings in the second half of the program.
 - Fiserv has a vast integrated product base offering solutions for almost any financial service. We believe this makes FISV a unique competitor based on its integration and scalability as more clients and consumers adopt to digital banking services. Management has also displayed its ability to leverage the company's balance sheet and affectively integrate bolt-on acquisitions.
 - We continue to recommend FISV shares up to our target price of \$135 based on the company's ability to provide strong organic and acquisition-based growth, while boosting margins and returning capital to shareholders through buybacks.
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