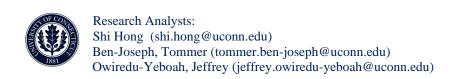
February 21, 2022

P/E Ratio (TTM): 47.40

EBITDA Margin: 33.80%

EV/EBITDA: 16.84



UConn Student Managed Fund

Fiserv (NYSE:FISV)

52 Week High/Low: \$127.34/\$92.06

Target Price: \$134.87

Current Price: \$94.13

Stop loss: \$84

Market Cap (\$B): \$62.148 B

Dividend Yield: N/A Beta: 0.80

ROE: 4.30%

OE: 4.30% Gross Margin: 49.91%

Company Overview

Fiserv is a leading provider of financial technology solutions, including electronic payment processing, internet and mobile banking, and account processing services, FISV has more then 12,000 clients worldwide, which include banks, credit unions, investment management firms, leasing and finance companies, billers, retailer, and merchants. FISV was incorporated in 1984 and is headquartered in Brookfield, Wisconsin.



Industry Outlook

Fundamental outlook for the data processing & outsources services subindustry is neutral. Participants across the subindustry carry out a wide scope of applications, including payments for goods and services, human resource payroll processing and outsourcing. Following a host of pandemic-related headwinds in 2020, the lion's share of CFRA's coverage universe has staged a large recovery in transaction volumes has been concentrated around important merchant verticals, that offer higher yields and lend a boost to margins - importantly, tailwinds likely persist into early 2022, as the areas that felt the brunt of the impact. We estimate aggregate revenue levels across the subindustry will rise by 18% and adjusted earnings per share by 29% in 2021, aided by suppressed comparable and a systemic recovery in company fundamentals. In the near term, transaction and dollar volumes should swing from steep declines to mid-teens or higher growth in 2021. We advise investors to monitor levels of personal consumption expenditures (or PCE) to gauge the breadth of the recovery - Action Economics (AE) currently estimates PCE to expand by 8% in 2021 but moderate into the back-half of the year. Underlying payment economics likely flip to tailwinds as consumers resume usage of additional services (e.g., loyalty programs) and provide an uplift to take-rates. Longer-term, we expect digital payment methods to incrementally displace cash transactions. Similarly, HR processing companies have been hurt by unfavorable employment trends, shrinking worksite levels, and a lower number of processed paychecks - all due to the Covid19 pandemic. The lower interest rate environment has also tempered net interest income. However, like most of the other counterparts in the subindustry, all past headwinds should flip to tailwinds in 2021 and aid in the recovery to fundamentals. Long term, however, we think competitive dynamics continue to lean in favor of more nimble cloud led Human Capital Management (HCM) peers, making legacy companies more susceptible to client switching and weighing on record retention levels (90%+ in some cases) that some have benefited from during the pandemic. The S&P Data Processing Outsourced Services Index has returned 2.9% through October 22, lagging the advance of 21% from the S&P 1500. We think the underperformance is tied to the general sensitivity to the consumer and implications around other widely publicized events, including digital assets and recent M&A that the subindustry has had. We note from a five-year CAGR perspective, the subindustry has rose 23.4%, handily outpacing the S&P 1500, which increases by 16.1%

Investment Thesis

- The global financial technology market is expected to reach a market value of ~\$324 billion by 2026, growing at a CAGR of 25.18%
- Fiserv is well-positioned to take advantage of the continued growth in e-commerce.
- Because most of their agreements with merchants and financial institutions involve taking a percentage of each transaction, Fiserv's revenues will increase
 with rising prices due to inflation.
- As emerging markets adopt more advanced technology, Fiserv will continue to increase its global footprint.
- Fiserv has made a series of forward-thinking strategic acquisitions that position it ahead of the curve in regard to innovation, capitalizing on existing client and customer relationships while acquiring new ones

Investment Risks

- Rising inflation could potentially harm transaction volume.
- Regulations within the financial services sector could have the potential to alter operations and increase costs.
- Fiserv is continuously challenged with staying ahead of the curve in regard to technological innovation.
- Larger clients with deep pockets could opt for transitioning payment processing and acceptance to in-house servicing.
- Fisery's business model is highly dependent on relationships with financial institutions.
- Cyber security risks; an attack or data leak could harm reputation and brand value.

Financial Performance

Breakdown	TTM	12/31/2021	12/31/2020	12/31/2019	12/31/2018
> Total Revenue	16,226,000	16,226,000	14,852,000	10,187,000	5,823,000
Cost of Revenue	8,128,000	8,128,000	7,812,000	5,309,000	3,069,000
Gross Profit	8,098,000	8,098,000	7,040,000	4,878,000	2,754,000
> Operating Expense	5,810,000	5,810,000	5,652,000	3,284,000	1,228,000
Operating Income	2,288,000	2,288,000	1,388,000	1,594,000	1,526,000
> Net Non Operating Interest Inc	-693,000	-693,000	-709,000	-520,000	-193,000
> Other Income Expense	71,000	71,000	492,000	9,000	222,000
Pretax Income	1,666,000	1,666,000	1,171,000	1,083,000	1,555,000
Tax Provision	363,000	363,000	196,000	198,000	378,000
Earnings from Equity Interest Net	100,000	100,000	0	29,000	10,000
> Net Income Common Stockhold	1,334,000	1,334,000	958,000	893,000	1,187,000
Diluted NI Available to Com Stock	1,334,000	1,334,000	958,000	893,000	1,187,000

Valuation Assumptions & Key Financials
We recommend a BUY rate for TGT based on a target price of \$134.87 per share. This target price reflects a 43.28% margin of safety based on its closing price of \$94.13 on February 21, 2022. We calculated WACC as 5.28%, 28.53x P/E

ulated WACC as 5.28%, 28.5	DOX P/E Historical				Estimates						
	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027
Revenue %/dot/ Growth Total revenue (-)Cost of Revenue % of Revenue	5,696 7.60% 5,696 3,024 53.09%	5,823 2.23% 5,823 3,069 52.70%	10,187 74.94% 10,187 5,309 52.12%	14,852	16,226 9.25% 16,226 8,128 50.09%	17,362 7.00% 17,362 9,028 52.00%	18,404 6.00% 18,404 9,570 52.00%	19,324 5.00% 19,324 10,048 52.00%	20,097	20,700 3.00% 20,700 10,764 52.00%	21,114 2.00% 21,114 10,979 52.00%
				45.79%					4.00%		
				7,812 52.60%					20,097		
									10,450 52.00%		
% Margin	46.91%	47.30%	47.88%	47.40%	49.91%	48.00%	48.00%	48.00%	48.00%	48.00%	48.00%
(-)Operating Expenses	1,084	1,215	2,664	4,518	4,751	4,340	4,601	4,831	5,024	5,175	5,278
% of Revenue	19.03%	20.87%	26.15%	30.42%	29.28%	25.00%	25.00%	25.00%	25.00%	25.00%	25.00%
(=) Operating Income(EBIT)	1,588	1,539	2,214	2,522	3,347	3,993	4,233	4,444	4,622	4,761	4,856
% Margin	27.88%	26.43%	21.73%	16.98%	20.63%	23.00%	23.00%	23.00%	23.00%	23.00%	23.00%
(-) Tax on Operating Income	449	507	365	337	486	839	889	933	971	1000	1020
% Tax Rate	28.27%	32.94%	16.49%	13.36%	14.52%	21.00%	21.00%	21.00%	21.00%	21.00%	21.00%
(=) NOPAT	1,139	1,032	1,849	2,185	2,861	3,155	3,344	3,511	3,652	3,761	3,836
% Margin	20.00%	17.72%	18.15%	14.71%	17.63%	18.17%	18.17%	18.17%	18.17%	18.17%	18.17%
(+) Depreciation&Amortization	429	545	1651	3210	3196	2604	2761	2899	3014	3105	3167
% of Revenue	7.53%	9.36%	16.21%	21.61%	19.70%	15.00%	15.00%	15.00%	15.00%	15.00%	15.00%
(-) Capital Expenditure	287	360	721	900	1160	1,042	1,104	1,159	1,206	1,242	1,267
% of Revenue	5.04%	6.18%	7.08%	6.06%	7.15%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%
(-)Changes in Net Working Capital	12	88	1050	668	63	521	552	580	603	621	633
% of Revenue	0.21%	1.51%	10.31%	4.50%	0.39%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
(=) Free Cash Flow	1,269	1,129	1,729	3,827	4,834	4,196	4,448	4,671	4,857	5,003	5,103
% Margin	22.28%	19.39%	16.97%	25.77%	29.79%	24.17%	24.17%	24.17%	24.17%	24.17%	24.17%

ESG Considerations

TGT Has no outstanding ESG issues.



ESG Risk Rating is as of Feb 02, 2022. Highest Controversy Level is as of Feb 08, 2022. Sustainalytics Subindustry: Data Processing. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: sustainalytics.com/esg-ratings/.