

Fiserv, Inc. (FISV)

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

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Recommendation: **BUY**

As of:

Value Fit
Philosophy Fit

5 / 10
2 / 5
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WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke	8.1% vs 9.1% → Below ke
Change in performance — ΔROIC	0.0 pts, FY2026E vs FY2025A → Flat by construction
Lifecycle phase	Phase IV — high expectations, declining
Valuation gap — target vs. price	+30.4% → Price below our value



BUSINESS DESCRIPTION

Fiserv, Inc. engages in the provision of financial services technology. It operates through the Merchant and Financial segments. The Merchant segment offers commerce-enabling products and services including merchant acquiring and digital commerce and mobile payment services, and security and fraud protection, stored-value, and pay-by-bank solutions to companies of all sizes. The Financial segment provides products and services such as processing of customer loan and deposit accounts, digital payments, and card transactions to financial institutions and corporate and public sector clients. The company was founded by Leslie M. Muma and George D. Dalton on July 31, 1984 and is headquartered in Milwaukee, WI.

INVESTMENT THESIS

Fiserv trades at 7.2x trailing earnings against a peer median of 23.9x, near its 52-week low, after the second-quarter cut to FY2026 adjusted EPS guidance (\$7.20 to \$7.40, from \$8.00 to \$8.30) and core-banking attrition broke the steady-compounder story. Retention is improving, but the revenue benefit lags multi-year contracts, and Project Elevate margin gains are weighted to 2027 to 2029. We rate it Hold with a \$60 target, the median of the Deutsche Bank (\$55), UBS (\$60) and Mizuho (\$78) targets, because our DCF values are not reliable (see Key Risks).

MARKET SNAPSHOT

Current Price	\$46.02	Market Cap (\$B)	\$24.5	Beta	0.82
52-Week Range	\$46 – \$130	Inst. Ownership	92.3%	Insider Own.	0.4%
Shares Out. (mm)	547.1	Short Interest (% float)	5.7%	Dividend Yield	0.0%
Consensus L-T Growth	4.1%	Payout Ratio	0.0%	Cost of Equity	9.1%
Price Target	\$60.00	Upside to Target	30.4%	Value Range	\$104 – \$200

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$200.24	335.1%	26.4x P/E
Equity DCF – terminal P/S	\$104.27	126.6%	1.8x P/S
Equity DCF – terminal P/B	\$151.62	229.5%	2.0x P/B
Equity DCF – constant growth	\$111.96	143.3%	2.0% g, 9.1% ke
Average of methods	\$142.02	208.6%	Equal-weighted
Analyst price target	\$60.00	30.4%	Blue = analyst override

PHILOSOPHY FIT — Five pillars · Score: 2 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC 0.0 pts; price is 0.32x our average value	No
2. Investing through company cycles	Phase IV; EBIT margin 26.9% → 26.9%	Yes
3. Initial position sizing & risk limits	Initial position sized within fund limits; risk limits set at entry	Yes
4. Capital allocation discipline	Net debt/invested capital 50.3%; net debt/EBIT 5.1x	No
5. Identifiable catalysts & conservative underwriting	Three catalysts, each with something to watch; terminal multiple at the 26.4x peer median	No

VALUE CRITERIA — 10-Point Checklist · Score: 5 / 10

		Pass?
1. Catalyst / Investment Drivers		Yes
Driver 1 — Financial Solutions Retention	Deutsche Bank (17 September 2026) reports lower client attrition and better renewal talks, and UBS notes new core wins rose year on year in the second quarter. Core contracts run about five years with 9 to 15 months of notice, so the revenue benefit lags. Management expects attrition to return near historical levels in 2027 to 2029. Monitor: net core wins.	
Driver 2 — Project Elevate Margins	FY2026 adjusted operating margin guidance is 31% to 31.5%, down from about 34%. Management expects about 50 basis points a year of operating leverage from 2027, plus more than 200 basis points over three years from Project Elevate (a program of more than \$500mm), weighted to 2027 to 2029 (UBS, 21 September 2026). The model holds EBIT margin at 26.9%, so this is upside. Monitor: margin each quarter.	
Driver 3 — Deleveraging and Buybacks	Management expects leverage near 3x by year-end 2026, targets the low end of 2.5x to 3.0x with an investment-grade rating, and will prioritize buybacks as capacity improves (UBS). UBS models \$677mm of repurchases in 2026 and \$2.0bn in 2027. The model follows that buyback path, then \$2.4bn a year, cutting shares from 547.1mm to 462.1mm by FY2028E. Monitor: leverage and buyback pace.	
What does management say?	New CEO Takis Georgakopoulos calls it continuity, not a reset: the Investor Day roadmap and FY2026 guidance stand, and a split of Merchant and Financial Solutions is ruled out (Mizuho). Management guides third-quarter adjusted revenue down about 2% at the midpoint, then mid-single-digit growth in the fourth quarter (Deutsche Bank, 17 September 2026).	

2. Low P/E Ratio						Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
EPS (model)	\$5.02	\$5.41	\$6.36	\$4.84	\$6.18	\$7.60
P/E at current price	9.2x	8.5x	7.2x	9.5x	7.4x	6.1x
Peer median P/E (FactSet, subject excl.)	23.9x		FY2026E P/E vs. peer median	(60%)		
3. Low Price / Cash Flow						Yes
FCFE / share	\$8.04	\$12.75	\$9.51	\$4.04	\$6.45	\$7.04
Price / FCFE	5.7x	3.6x	4.8x	11.4x	7.1x	6.5x
Peer median P/CF (FactSet, subject excl.)	12.4x		Price / FCFE (today) vs. peer median	(61%)		
4. Low Price / Book Value						Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
Book value / share	\$48.81	\$46.77	\$47.14	\$52.02	\$57.89	\$64.53
Price / Book	0.9x	1.0x	1.0x	0.9x	0.8x	0.7x
ROE (EOY book)	10.3%	11.6%	13.5%	9.3%	10.7%	11.6%
Peer median P/B (FactSet, subject excl.)	2.2x		Price / book (today) vs. peer median	(55%)		

Fiserv, Inc. (FISV) — Value Criteria, continued

5. Financial Soundness							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	23,901	25,610	29,760	24,362	26,002	27,689	
Net debt (\$mm)	22,697	24,374	28,962	23,564	25,204	26,891	
Total debt / equity (gross)	80.1%	94.6%	115.4%	88.0%	90.4%	92.7%	
Total debt / assets (gross)	26.3%	33.2%	37.1%	32.9%	34.0%	35.0%	
Net debt / invested capital	39.0%	43.3%	50.3%	44.3%	45.8%	47.3%	
Net debt / EBIT	4.7x	4.1x	5.1x	4.5x	4.6x	4.8x	
Tax rate	19.0%	Book equity (\$mm)	25,792	Target 2.5x to 3.0x debt/EBITDA			
6. Positive Earnings Dynamics							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	7.6%	7.1%	3.6%	(7.8%)	3.4%	3.5%	
EBIT margin	25.4%	28.7%	26.9%	26.9%	26.9%	26.9%	
EPS growth	27.3%	7.9%	17.6%	(23.8%)	27.6%	22.9%	
7. Business Strategy & Segment Mix							Yes
Strategy	Two segments: Merchant Solutions (Clover, enterprise acquiring, more than 3,000 ISOs) and Financial Solutions (bank cores, issuing, the STAR and Accel debit networks). The new CEO is simplifying technology, consolidating gateways and possibly debit networks, and reviewing the portfolio for non-core assets; the ATM and student loan servicing businesses were sold in August and September 2026.						
Segment / geography mix	Merchant Solutions and Financial Solutions are the two reporting segments. STAR and Accel generate just over \$1bn of revenue within Digital Payments. Argentina was about 8% of Merchant revenue in FY2025 (about 4% of total) and about 7% in the first half of 2026. New investment is going to Japan and healthcare (UBS, 21 September 2026).						
8. Capable Management & Insider Ownership							No
Insider ownership	0.4%	Inst. ownership	92.3%	Buybacks, % of NOPAT (FY1E)		15.9%	
Insider activity / governance	Insider ownership is 0.4% and institutions hold 92.3%. Takis Georgakopoulos (17 years at JPMorgan, latterly Global Head of Payments) became CEO after Mike Lyons left for Truist, and guidance was cut in the second quarter.						
9. Valuation — Value Creation (ROIC vs. ke)							No
ROIC (FY1E)	8.1%	Cost of equity (ke)	9.1%	EVA spread (ROIC – ke)		(1.0%)	
Price target / upside	\$60.00	30.4%		Value / share range (low–high)		\$104 – \$200	
10. Uses of Capital — allocation discipline							No
Reinvestment -103% of NOPAT, buybacks 16% in FY2026E; Fiserv pays no dividend, so buybacks take the residual. Detail in the Uses of Capital table below.							
VALUE FIT SCORE — criteria met							5 / 10

FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	19,093	20,456	21,193	19,549	20,222	20,926	1.9%
Gross margin	59.8%	60.8%	59.4%	59.4%	59.4%	59.4%	(0.2%)
EBIT	4,851	5,876	5,705	5,263	5,444	5,633	3.0%
Net income	3,068	3,131	3,480	2,579	3,072	3,511	2.7%
EPS (basic)	\$5.02	\$5.41	\$6.36	\$4.84	\$6.18	\$7.60	8.7%
Dividend / share	–	–	–	–	–	–	–
FCFE / share	\$8.04	\$12.75	\$9.51	\$4.04	\$6.45	\$7.04	(2.6%)
Invested capital	58,211	56,245	57,608	53,202	55,004	56,893	(0.5%)
ROIC	6.9%	9.2%	8.1%	8.1%	8.1%	8.1%	–
NOPAT margin	20.5%	24.6%	21.8%	21.8%	21.8%	21.8%	–
Sales / NWC	20.57x	15.62x	15.92x	15.92x	15.92x	15.92x	–
Sales / NFA	0.34x	0.38x	0.38x	0.38x	0.38x	0.38x	–
Sales / invested capital (ex cash)	0.33x	0.37x	0.37x	0.37x	0.37x	0.37x	–
USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	3,913	5,040	4,620	4,262	4,408	4,562	–
Uses, as % of NOPAT							
CapEx & acquisitions (Δ NFA)	(6.3%)	(47.2%)	38.5%	(101.0%)	39.9%	40.4%	(5.9%)
Working capital (Δ NWC)	3.9%	7.6%	0.5%	(2.4%)	1.0%	1.0%	1.9%
Dividends	–	–	–	–	–	–	–
Share buybacks	103.2%	117.5%	102.9%	15.9%	45.4%	52.6%	72.9%
Debt repaid (neg. = borrowing)	(44.2%)	(33.9%)	(89.8%)	126.7%	(37.2%)	(37.0%)	(19.3%)
Cash & securities build	7.7%	0.6%	(9.5%)	0.0%	0.0%	(0.0%)	(0.2%)
Interest & other (residual)	35.7%	55.5%	57.4%	60.8%	51.0%	43.0%	50.5%
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	(2.4%)	(39.6%)	39.0%	(103.4%)	40.9%	41.4%	(4.0%)
Dividends + buybacks, % of NOPAT	103.2%	117.5%	102.9%	15.9%	45.4%	52.6%	72.9%

Framework: the full range of capital allocation — CapEx and capitalized software, acquisitions, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

COMPS OVERVIEW (current multiples, FactSet)						
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
FIS	Fidelity National Information Services, Inc.	5.3x	1.5x	1.1x	5.7x	19.4x
GPN	Global Payments Inc.	26.6x	2.2x	1.0x	13.8x	14.8x
JKHY	Jack Henry & Associates, Inc.	21.2x	4.3x	5.0x	13.7x	16.4x
PYPL	PayPal Holdings, Inc.	10.3x	1.4x	2.4x	6.4x	8.8x
XYZ	Block, Inc. Class A	130.5x	1.8x	2.0x	11.0x	12.7x
TOST	Toast, Inc. Class A	38.8x	2.6x	8.6x	28.2x	64.1x
Median	Peer median (subject excluded)	23.9x	2.0x	2.2x	12.4x	15.6x
FISV	Subject, at current price	7.2x	1.2x	1.0x	4.8x	9.5x
Premium / (discount) to peer median						
Peer set from AutoTearSheet-SPageID14-D19. Median is of peers only and excludes blanks.		(70%)	(41%)	(55%)	(61%)	(39%)

KEY RISKS

- Core attrition lasts longer. Churn notices lead revenue by 9 to 15 months, and the joint Federal Reserve, FDIC and OCC statement on core providers could pressure pricing and deconversion fees. Watch net core wins each quarter.
 - Merchant growth stalls. Clover third-quarter revenue carries gateway and other non-recurring headwinds, Argentina anticipation revenue is weakening, and software-led rivals such as Toast and Block compete for SMB volume. Watch Clover growth in the fourth quarter.
 - The model overstates value. Its \$104 to \$200 DCF range uses a 9.1% cost of equity and peer multiples inflated by Block and Toast, and the market is pricing far more attrition risk, so the target is anchored to broker targets instead.
- Sell triggers: fourth-quarter growth misses mid-single digits; net core losses resume in 2027; leverage is still above 3x at year-end 2026.

Sources: model outputs linked to Auto-FinandValinfo and AutoTearSheet-SPage (FactSet). Information for educational purposes only. Not a recommendation to buy or sell any security.