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I. Investment Narrative

\$100



FIS: An Excellent Business That Is Firmly Back On Track



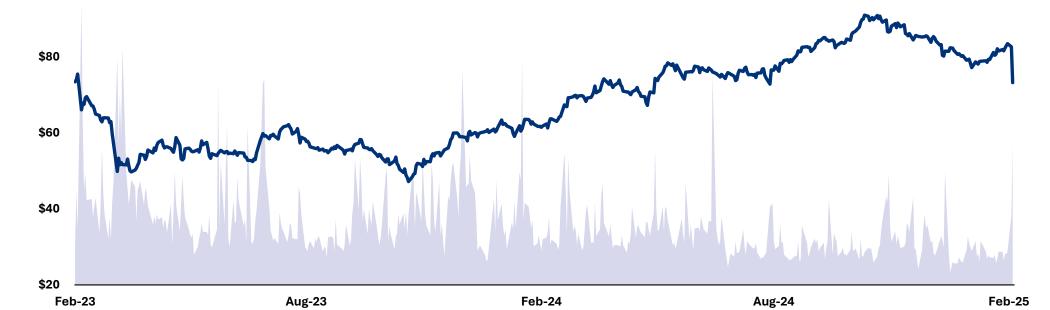
Market Cap	\$37.1B
Last Close (2/14/25)	\$68.98
52 Week Range	\$60.39 - \$91.98
LTM EV/FCF	13.9X
NTM EV/EBITDA	11.5X

FIS is a global leader in financial technology, providing a range of software,
services, and payment processing solutions to banks and other financial
institutions.

□ Recommendation: **BUY** with a **price target of \$84.05**, representing an upside of **21.8**% from 2/14/25 close.

Investment Thesis Introduction

- New management at FIS has acted swiftly to correct structural and operational issues by selling 55% of Worldpay, which we believe will return focus to the core business and usher in new growth.
- II. Success with cost-cutting initiatives, improved capital allocation strategies, and underlying Banking Solutions segment growth are overlooked due to temporary dyssynergies from the Worldpay spinoff.
- II. Given FIS' scale advantages, cash flow profile, and sticky customer base, we believe a significantly higher valuation is warranted upon a return to mid-single-digit revenue growth.



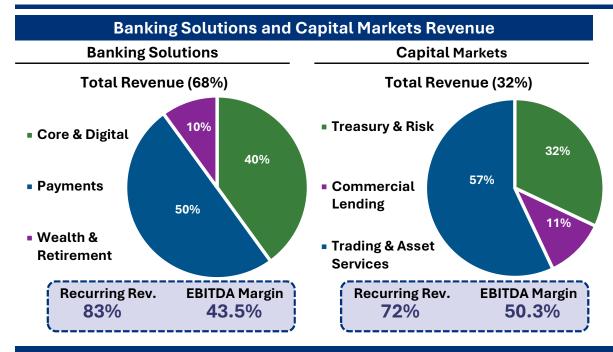
Culverhouse Investment Management Group – Financials Committee



II. Company Overview

FIS Is Deeply Ingrained in the Financial System





Customer Base

SERVICING

+14,000 Clients Globally



95%
of top global banks
90%
of large PE firms

Unlocking Financial Technology Across the Money Lifecycle

MONEY AT REST

MONEY IN MOTION

MONEY AT WORK

Digital Banking

Digital One Banking Deposit and Loan Processing

Core Banking

Legacy and Cloud-Supported Cores Modern Banking Platform

Treasury Risk

Enterprise Risk Solutions Treasury Workstation

Payments

Card Issuing and Processing Money Movement and Rails Fraud and Risk Solutions

Wealth and Retirement

Investment Accounting
Retirement Plan Administration

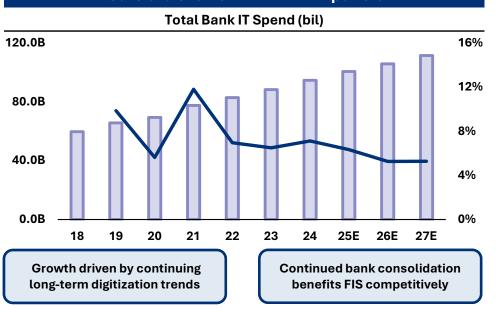
Lending and Trading

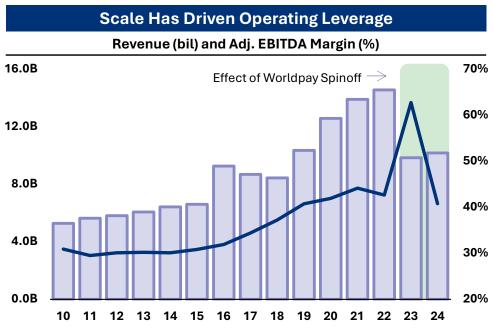
Commercial Lending Platform
Post-Trade Processing
Market Connectivity



FIS Has Grown Through TAM Expansion and Acquisitions









III. Industry Overview

FIS Has a Wide Moat and Benefits From Industry Dynamics



One of the "Big Three"



Large banks, Investment firms, Financial institutions

Banking Solutions Capital Markets Solutions

Large-scale payments & digital banking

fiserv.

Middle-market banks, merchants, fintech

Merchant Acquisition Digital Banking

Embedded finance & card issuing

jh

Community banks, credit unions

Core banking and digital banking solutions only

No large-scale payment processing

FIS Has a Sustainable Advantage Among Large Banks



Serves both large enterprises and banks (in 150+countries) with a client base of **3,000-plus banks**



FIS powers **real-time bank-to-bank payments** and treasury solutions such as lockbox and card issuance

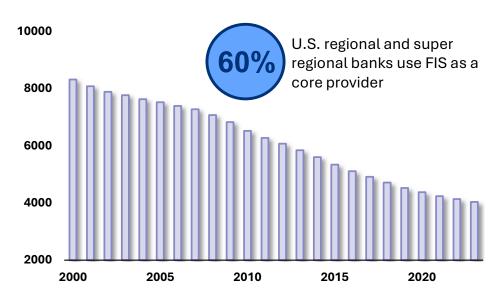


FIS offers **API-driven banking solutions** in addition to AI integrations for fraud detection and risk management

"It is very difficult for any of these banks to move out because of the integrations. You name it, card personalization, card management, core banking, there were so many integrations done." – Former VP of Government Solutions

Consolidation Trends Work in Our Favor

Number of US Banks



Challenging Digital Transitions Benefit FIS



- Spent \$650M
- Products are quite buggy
- Struggling to push core products in their markets

Legacy Advantages

Custom Specs: Big banks have specialized requirements that require customization built over decades Legacy Support: FIS offers best in class legacy support through their core systems

"However, pulling out the legacy core and replacing it with a new one, is **very challenging**...The banks have built up an entire way of doing things from both an operations and business perspective pricing **over 40 or 50 years**...."

- Former Senior Vice President



IV. Investment Thesis

Under New Management



The Worldpay Sale Was An Excellent Decision

New Management's Three Goals

Reset Management's Focus

Achieve Operational Simplification

Practice Rational Capital Allocation

Deal Terms



Ма (45

Maintains substantial minority stake (45%); benefit in upside, maintaining commercial relationship

000

Provides cash proceeds to strengthen balance sheet

Why We Like This Move

Post Worldpay, management has focused on investing capital into higher-growth products, tuck-in M&A, and buybacks.





Spinning off Merchant Solutions results in a higher recurring revenue mix and benefits from non-cyclicality

We believe FIS will realize material EMI contributions from a separated Worldpay and its growth through M&A.



New Management Is Properly Incentivized and Has Taken Decisive Action



CFO James Kehoe

"We got the message loud and clear.

Don't do stupid acquisitions. \$1.0
billion is more than enough. Return the
rest to shareholders"



CEO Stephanie Ferris

"When she came in, she found a company that had its problems... It was incapable of managing the combination of Worldpay. So her #1 priority was the focus and simplification of the company"

Shareholder-Friendly Compensation Plan



Greater proportion of performancebased equity tied **exclusively to S&P 500 total return** relative to FIS



Management is awarded stock options at premium exercise prices 15%, 25%, and 30% above grant-day pricing



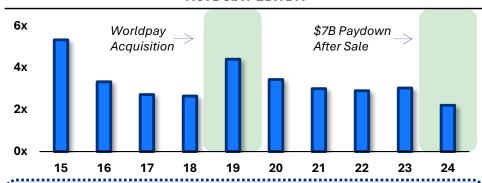
Cash incentives are tied to the Future Forward cost-cut initiatives with top targets of \$1 billion or more run-rate cost savings

Shareholders Benefit From Streamlining



Debt Has Returned to Healthy Levels

Net Debt / EBITDA



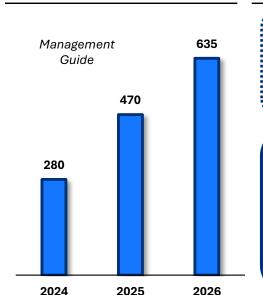
Q4 Weighted Average Interest Rate: 2.7%

"The transaction has also allowed FIS to **transform its capital structure**, paying down debt and ensuring an investment-grade credit rating."

-CFO James Kehoe

Future Forward Cost Cut Initiatives Roll On

Run-Rate Cost Improvements



More Room to Run

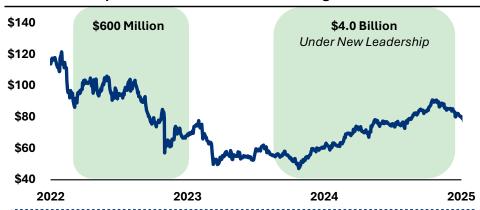
"It is finance, HR, legal, all of those. They were **largely untouched** by Future Forward." - CFO James Kehoe

Cost savings from Worldpay divestment have not been fully realized **presently**.

Downsizing from the sale will save **hundreds of millions** without affecting operating capabilities.

Capital Allocation Has Gone from Bad to Great

FIS Has Expired ~10% of Shares Outstanding Over the Last Year



"The guide when I joined was \$2.5 billion of repurchases. We're repurchasing \$4 billion this year. We've repatriated more cash."

-CFO James Kehoe

Short Term Cost Headwinds Will Likely Improve

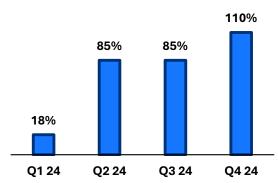
Aggressive Supplier Pricing Has Caused Temporary CAPEX Uplift

"We've seen an escalation and **aggressive price actions** by select providers of critical infrastructure products that we need, and we don't have a Plan B. So we've seen like **50%**, **60%** increases in the contracts." – CFO James Kehoe

Cash conversion has fallen short due to unfavorable working capital that management is working to change

\$150M in CAPEX due to supplier actions that can be remedied in the medium term

Free Cash Flow Conversion



Cost Improvements and Upgrade Potential



We Expect Margin Improvements

"When we get the flywheel of revenue running at the range of 4.5% to 5.5%, you can throw off consistently 80 to 90 bps of margin improvement" -CFO James Kehoe

2025/26: Cost Improvements

"We are optimizing our technology infrastructure and leveraging GenAI, machine learning and outsourcing to reduce our OpEx footprint by \$790 million by 2026."

2027+: Operating Leverage <u>.</u>......

"We're fairly confident that beyond the '25, '26 horizon, we should be doing at least 60bps a year of margin expansion"

Three-Pronged Cost Cutting Initiative







Capital Markets Shines Long-Term

Adj. Revenue Growth Targets

2024	2025-2026	TAM
6.5%-7%	7.5%-8%	6%

Capital Market Tailwinds

Buyside Evolution: buy-side firms taking on traditional sell-side functions (e.g., self-clearing) Shift of Capital: public to private credit

Acquisition Outlook

Outsourcing: outsourcing tech to cloud-based solutions

\$1B **M&A Budget**

Management targeting 0.5-1% of annual growth via tuck-ins to complement Capital Markets suite.

Improving Capital Approach To Modern Banking Platform

"There's a lot of gaps between how things have been done historically in banks and how these next-gen platforms have been done ... And then if it takes you longer and more people, then it's more dollars." - Former Senior Vice





Old Allocation Strategy Independent investment in MBP

despite low sales and difficult migration and implementation



New Allocation Strategy

Investment indexed to revenue generated by MBP, ensuring improvement as demand grows



Slowed Transitions Advantage FIS

Street Overlooks Capability Of Legacy Systems For Digitization

Hogan

Mainframe-based

Complexity support

Cloud-supported

Modular

IBS

Profile

Used by large banks (Consistent income

Comprehensive

Consistent income

Systematics

Some cloud support Primarily on-site

Cloud-supported

Digital-first

Retail banking

Consistent income

Used by large banks (V) Consistent income

Modulated Transitions Provide High Margins and a Captive Client

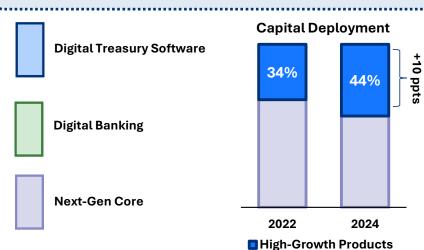
"You've got to work around it. You need to diminish what the core does. You need to shrink its purview. Then at some point in the distant future, maybe it will be a simpler matter to turn it off. But in the meantime, you can't be an anchor to your business." - Former Senior Vice President

Where We Go From Here



Sales Focus Is Shifting Toward High-Margin Businesses

'We are refocusing our commercial engine to capitalize on our proven products in high-growth, high-margin areas." – CFO James Kehoe



Focused on High-Return Tuck-In Acquisitions

2024 Acquisitions Summary

DEMICA

Cloud-Based SCF

Digital Banking Platform





SaaS Post-Trade Platform

Additional Strategic M&A or Buyback Activity Is Likely

"We have ample capacity on the balance sheet. We're at 2.6x, and our stated leverage target is 2.8x."

-CFO James Kehoe

"We're quite close to a decentsized acquisition in Capital Markets."

-CFO James Kehoe

Untapped Pricing and Cross-Selling Opportunities



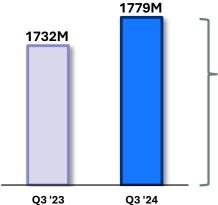
Banking Growth Is Masked by Temporary Spinoff Effects



Street has concerns Banking growth was flat in Q3 (versus +3% reported) ex. Worldpay.







Q3 '24 Guide Includes \$13M WP dis-synergies

Includes \$13M WP dis-synergies Only \$33M is incremental

Q3 '23 Guide

\$70M non-recurring pandemic relief revenue earned; tough comp

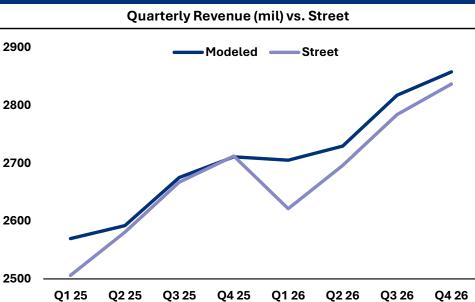
Our Take: underlying Banking growth is +3%, post-adjustments

Sworldpay spinoff (FIS retains 45% stake)

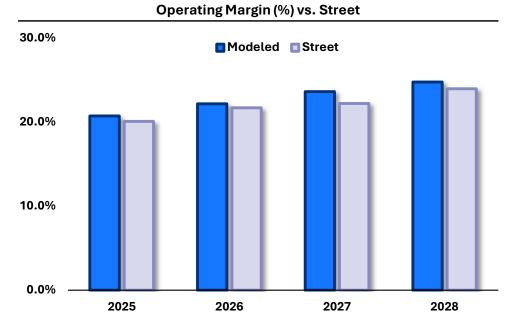
Thesis in the Model: Growth Normalizes



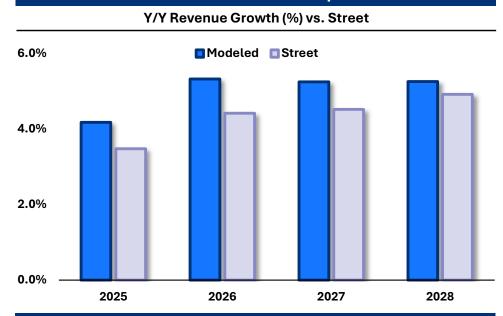




We Forecast Margin Improvement Over Time

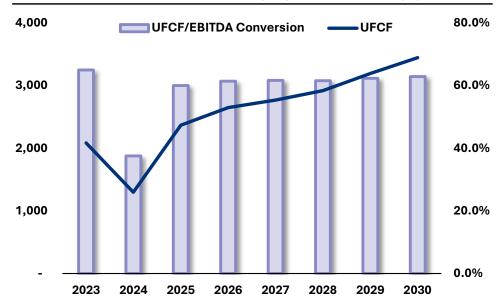


Medium-Term: Return to MSD Top-Line Growth



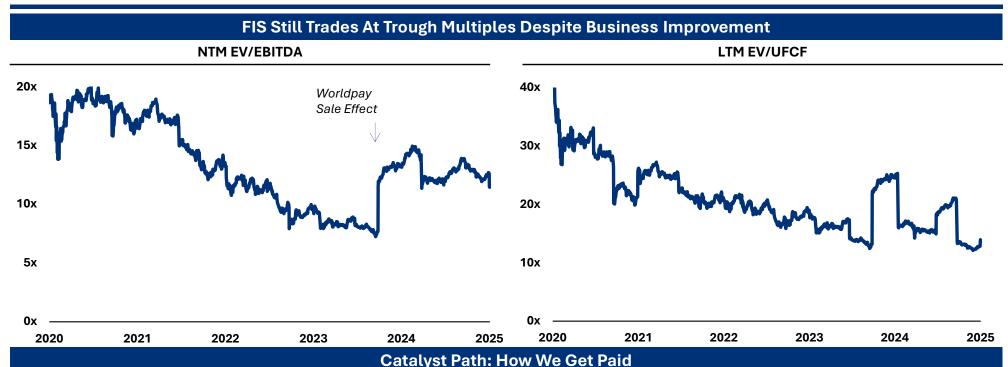
Improvements Will Be Reflected in FCF

Unlevered Free Cash Flow (mil) and Conversion (%)









Short-Term

- Lapping dyssynergies from the Worldpay sale reveal the positive trajectory with revenue and margins
- Management brings CAPEX under control after price hikes from infrastructure providers

Medium-Term

- Return to mid-single-digit revenue growth in Banking
- Management realizes additional run-rate cost savings, honing in on their \$750mil target
- Slowed migrations provide highmargin legacy revenue for longer
- ➤ Opportunistic M&A <\$1bil

Long-Term

- Banking and Capital Markets grow organically in-line with industry TAM in addition to ~1% annually from M&A and bank consolidation trends
- Fixed cost leverage and investments in higher-margin areas produce 50-80bps of margin expansion annually



V. Valuation

FIS Value / Sh

We Recommend a Buy at \$68.98 With Upside of 21.8%



We Use a Sum-of-the-Parts Valuation

Sum of the Parts Valuation

DA	Wor
9.64%	Worldpay Valuation
22,211	Ownership Stake
9.0X	•
6,883	Worldpay Value
61,951	Diluted Shares Outst
24,674	Worldpay Value / Sh
46,885	
834	Consoli
10,654	
2	Value / Sh
37,063	Current Price
540	Upside %
	9.64% 22,211 9.0X 6,883 61,951 24,674 46,885 834 10,654 2

Worldpay Stake	
Worldpay Valuation @ Sale	18,500
Ownership Stake	45%
Worldpay Value	8,325
Diluted Shares Outstanding	540
Worldpay Value / Sh	\$15.42

Consolidated Valuation		
Value / Sh	\$84.05	
Current Price	\$68.98	
Upside %	21.8%	
P/V	0.82	

Investment Recommendation

Recommendation: BUY Weighting: 5% **Price Target:** \$84.05 Upside: 21.8%

WACC Calculation	
Cost of Equity	11%
Cost of Debt	4.60%
Debt Proportion	21.20%
Equity Proportion	78.80%
WACC	9.64%

Where We Are Differentiated

\$68.63

We believe that the market perception will change over the next 12-18 months as we lap dyssynergies from the Worldpay sale and progress with cost cuts and growth initiatives are revealed

Street is overly negative on slowed migrations to cloud-native core systems - we believe that slower transitions will build dependency on the FIS ecosystem and provide higher-margin revenue in the medium-term

Street generally neglects to model FIS beyond 2028, which we believe neglects the long-term nature of FIS' competitive moat and ability to drive steady margin expansion



CAPEX remains elevated due to continued supplier price hikes

Risks to Our Thesis



Capital markets activity is slower than expected, taking away a key growth driver that is generally acknowledged by Street



One-time events such as fee reversals that hurt revenue in Q4 become a pattern



VI. Appendix

How We Justify Our Revenue and Margin Assumptions



Banking: 5% Long-Term

Capital Markets: 6% Long-Term

~300bps Natural Growth From Underlying Account Growth and Transaction Volume Expansion

6% Industry TAM Growth Over Time

50-100bps Annually From Bank Consolidation Trends

Very Strong Product in Treasury/Risk Growing 7-8%

300-400bps From Increasing Bank IT Spend (some overlap with account/transaction growth)

50% International With M&A Opportunities Ahead

Mitigant: Pricing Gains Are Often Offset By Discounting During New Contract Negotiations

Newer Verticals Like Lending Management Growing 12-13%

Margin Expansion Is Likely: We Project 30-60bps Long-Term

Most product lines feature very high incremental margins, up to 95% for products like Core Banking and virtually 100% for product licensing.

Management is also increasing investment in higher-margin areas

"I'm a cost guy at heart as well, so I kind of get... I shouldn't say turned on by cost reduction, but..." -CFO James Kehoe We are generally more conservative management claims of ~80bps of operating leverage combined with cost-cutting measures

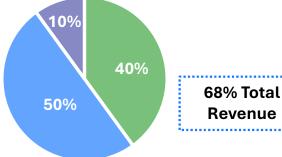
FIS Is Deeply Embedded in the Global Banking System



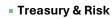
Banking Led By Organic Account and Transaction Growth

Core & Digital

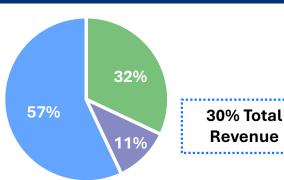
- Payments
- Wealth & Retirement



Capital Markets Led By MSD TAM Expansion

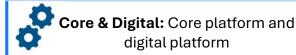


- Commercial Lending
- Trading & Asset Services



Capital Markets Solutions

Money At Rest



53%
US Banks are core
customers

\$15B US TAM

Money in Motion



Payments: Card, money rails, network, fraud, loyalty and AR/AP software

17B+

Transactions processed

\$53B US TAM

Money At Work



\$8T Asset Services \$6B US TAM

Banking Solutions

Money in Motion



Treasury & Risk: Treasury and Risk Management

17.5K+
Treasury and
Risk Clients

\$30B

Money At Work



\$23B

Money At Work



Trading & Asset Services: Asset Mgt Trading, Derivatives and Securities, Compliance and Tax

\$50B AUM of Asset managers

\$4BAUM of PE institutions

\$66B