

## Twitter Thread by BlueToothDDS

**BlueToothDDS**

@BlueToothDDS



**\$FISV investor day this week provided some new insights into the composition of — and more importantly, the growth engines within — each of its 3 operating segments**

**Will attempt to deep dives on each to build on some of my musings from earlier in the year on this topic ■ <https://t.co/AmlnJe1Qiq>**

### Strong Portfolio Creates Revenue Growth



Adjusted revenue at full year 2019 by segment. Dollars in billions. See appendix to presentation for information regarding non-GAAP measures.

181 © 2018 Fiserv, Inc. or its affiliates

FORBES World's Most Admired Companies

2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020



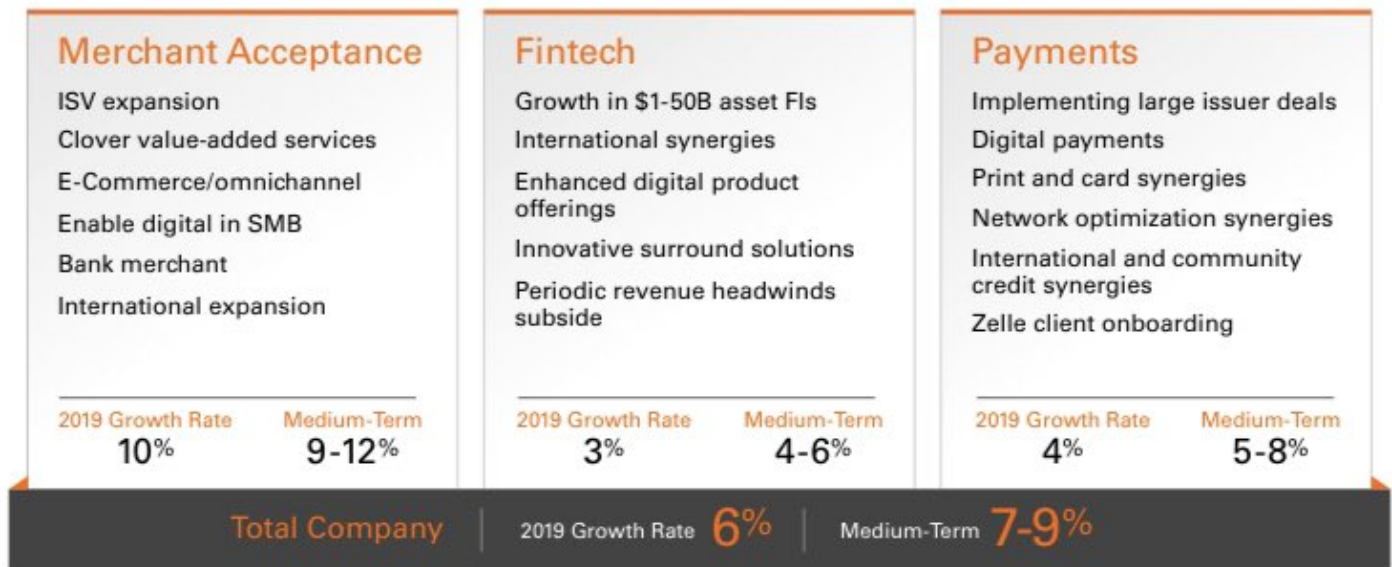
3) The revenue mix of \$FISV today (post FDC merger) is roughly ~40% merchant acquiring, ~45% issuer processing and other payments related services, and ~15% core bank processing. Will take these in turn, then highlight growth levers Iu2019m most excited to watch in the coming years [pic.twitter.com/yhvkCQrsF8](https://pic.twitter.com/yhvkCQrsF8)

— BlueToothDDS (@BlueToothDDS) March 6, 2020

Will also try to bridge to an earlier thread laying out the \$FISV growth algorithm and the operational/financial levers that support its medium-term outlook of 15-20% FCF/share growth

Here we focus on the top line, most notably the impressive acceleration across all 3 segments <https://t.co/8HzMhEC5Bj>

## Strong Internal Revenue Growth Across All Three Segments



Medium-Term Outlook reflects anticipated financial results in each of 2022 and 2023. See appendix to presentation for additional information.

1/23 © 2020 Fiserv, Inc. or its affiliates.

FORTUNE **World's Most Admired Companies**  
2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 **fiserv.**

12) \$FISV has both operational levers (\$0.6B revenue synergies, \$1.4B combined cost synergies + add\u201919 cost take out) and financial levers (\$30B+ deployable FCF) to support its 15-20% compounded FCF/share growth

... and this is all before underlying business momentum (tomorrow) [pic.twitter.com/JBtIGQIfBT](https://pic.twitter.com/JBtIGQIfBT)

— BlueToothDDS (@BlueToothDDS) December 9, 2020

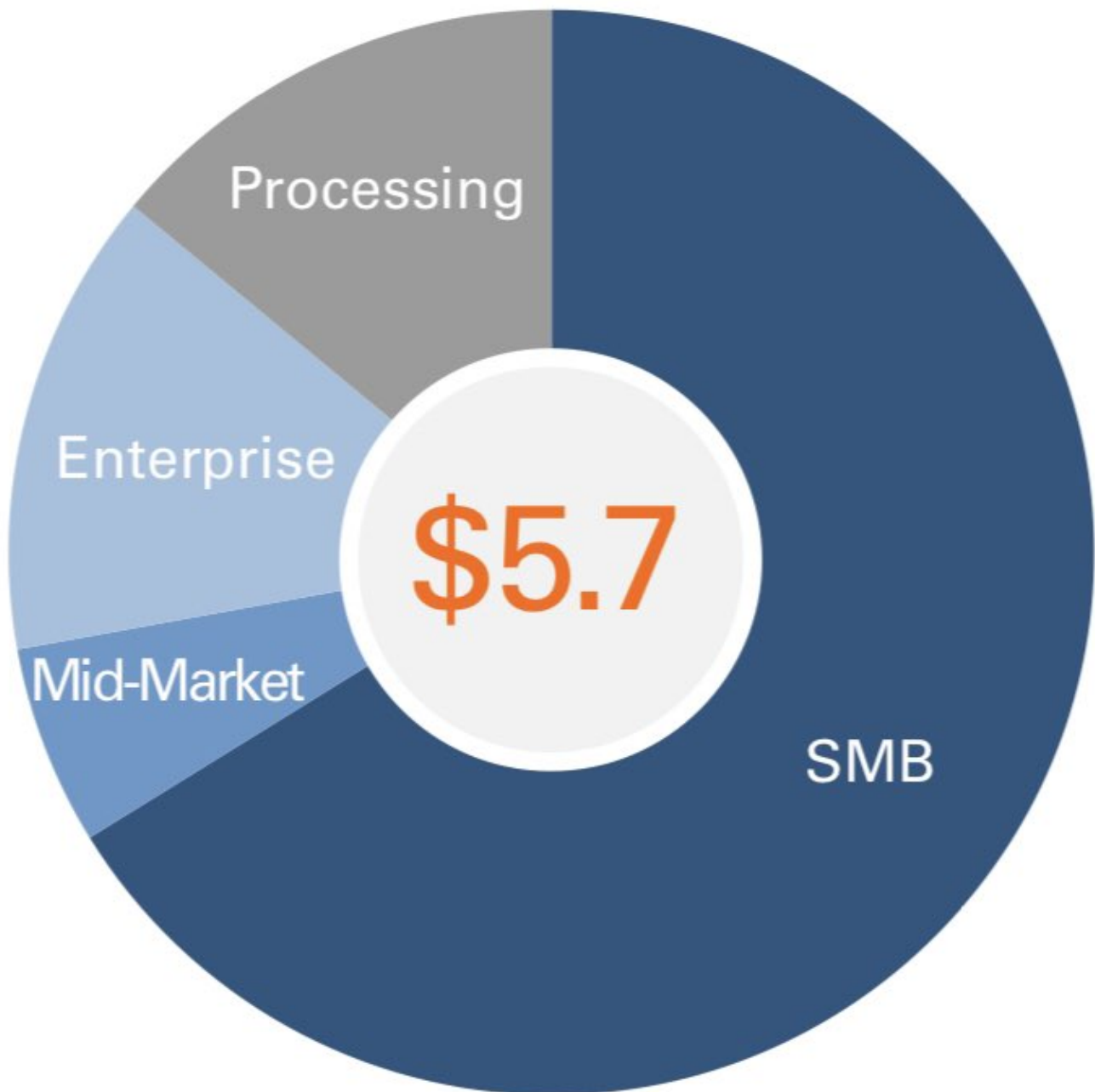
Let's start with Merchant:

1) This segment, which ~40% of \$FISV revenue today, is the #1 merchant acquirer globally processing \$3T+ annually for 6M merchants worldwide

2/3 of revenue is from SMBs, ~20% from mid-to-enterprise merchants, remaining ~15% is wholesale processing

# Merchant Acceptance

---

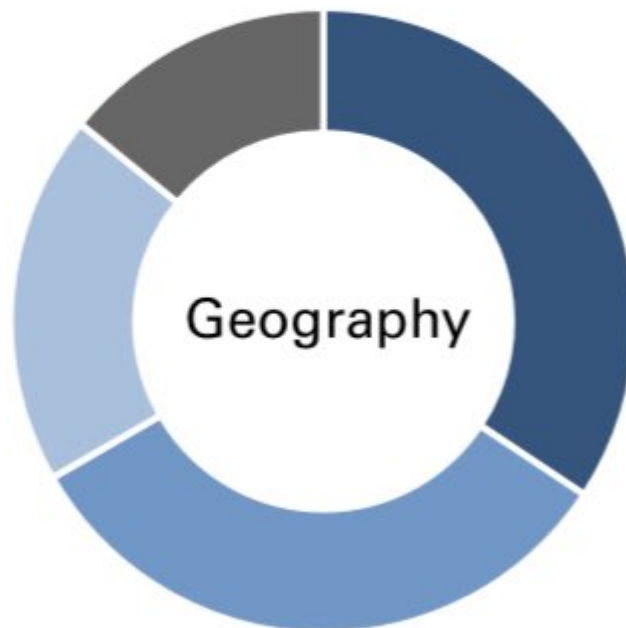


2) ■■ is 3/4 of the \$FISV Merchant segment and the scale of this business is unmatched: it processes 40% of all in-person purchases in the US, covers 80% of all US zip codes and accounts for 10% of US GDP. This book of business is the most balanced in the industry <https://t.co/QLkk7lz3jQ>

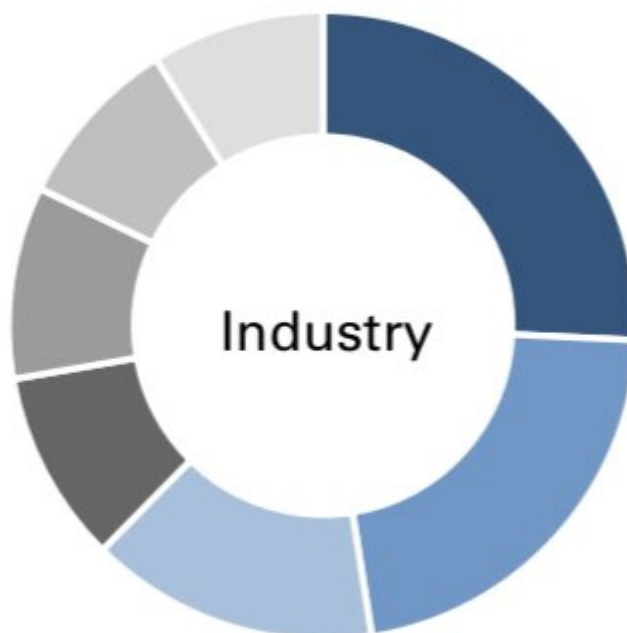
# Advantaged Client Mix

U.S. GPV

- South
- West
- Midwest
- Northeast



- Retail
- Other Services
- Grocery
- Medical/Essential
- Restaurant
- Travel
- Petro

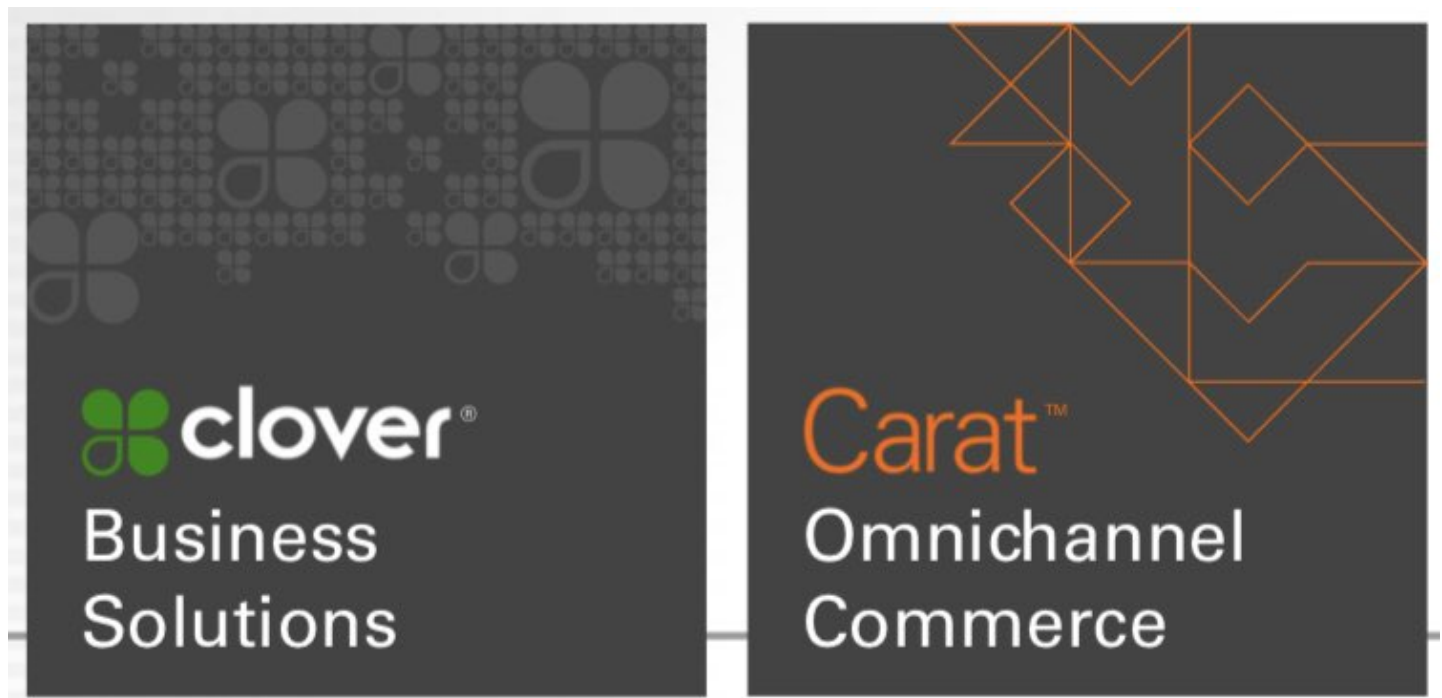


4) \$FISV merchant business is the largest US acquirer processing \$2.4 trillion of payments annually (including through JVs with BAC, WFC, PNC, C) accounting for 10% of U.S. GDP. This segment includes Clover, which focuses on SMBs and is \$105B runrate today growing at 40%+ annually [pic.twitter.com/M5j4mbeiJX](https://pic.twitter.com/M5j4mbeiJX)

3) Internationally, \$FISV Merchant has strong position in EMEA (top 3 through various JVs and alliances) and several high growth countries, among others: India ■■ (top 3 with ~15% share), Argentina ■■ (~50% market share today), Brazil ■■ (routing ~30% of all electronic payments)

4) Within \$FISV Merchant, there are 2 growth engines which together account for an estimated ~40% of the segment's revenue (some \$2B+ growing at 20%+ annually)

- Clover, inclusive of the SMB offering and ISV platform
- Carat, the new branding for its e-/omni-commerce solution

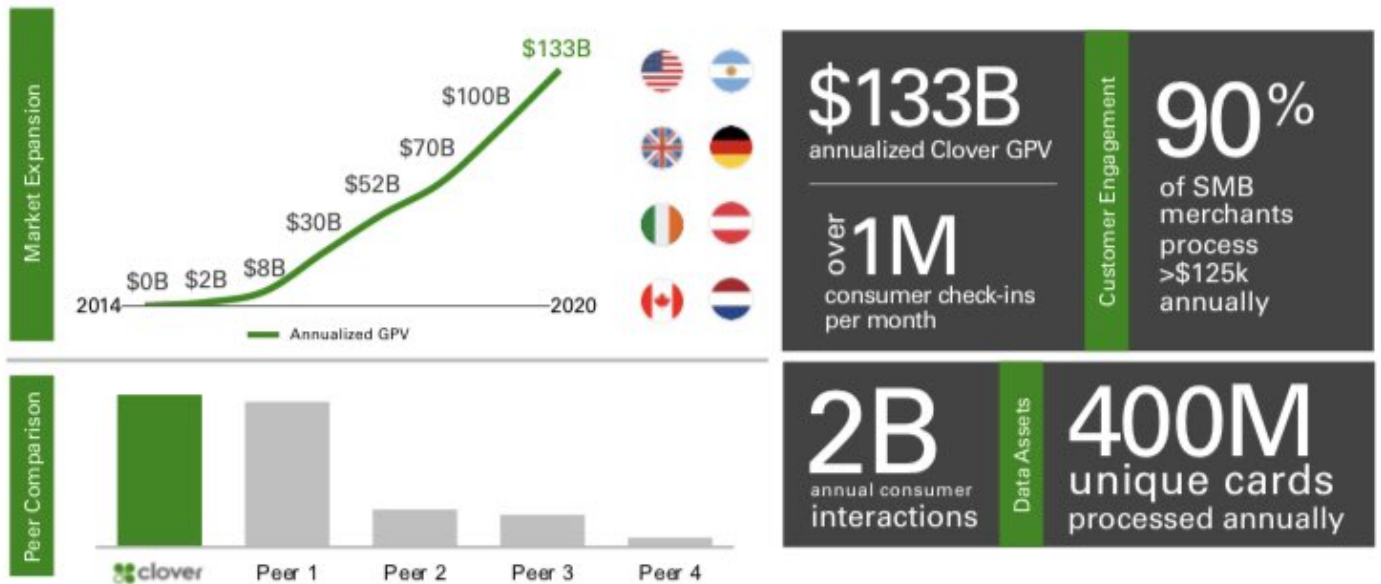


5) Clover is the single most exciting thing going on at \$FISV

From 6 engineers and a patent in 2012 to \$133B of GPV today, Clover has now surpassed \$SQ growing 2x+ as fast

Other SMB platforms like \$LSPD/Upserve (< \$40B combined), Toast, etc. are just a fraction the size <https://t.co/EJqhKI6Kaz>

## Accelerating Clover Growth and Value



Clover GPV represents gross processing volume annualized for the quarter ended September 2020. 2020 average consumer check-ins per month. SMB Merchant GPV Distribution for the quarter ended September 2020. Annual Consumer Interactions based on the quarter ended September 2020 annualized. Unique cards processed annually for the year ended December 2019. Peer GPV comparison based on public earnings reports for the quarter ended September 2020.

34 © 2020 Fiserv, Inc. or its affiliates.

FORBES World's Most Admired Companies 2016 | 2016 | 2016 | 2017 | 2018 | 2019 | 2020 **fiserv.**

7) For SMB merchant acquiring, it's a 2019s a 2 horse race between \$FISV Clover and \$SQ. Fast follower Clover quickly gaining ground and growing GPV at almost 2x the rate, accelerating while SQ decelerating. Most notably, this is before any bank led distribution <https://t.co/mTkEeDZJys> [pic.twitter.com/Bg6AmXFH9H](https://t.co/Bg6AmXFH9H)

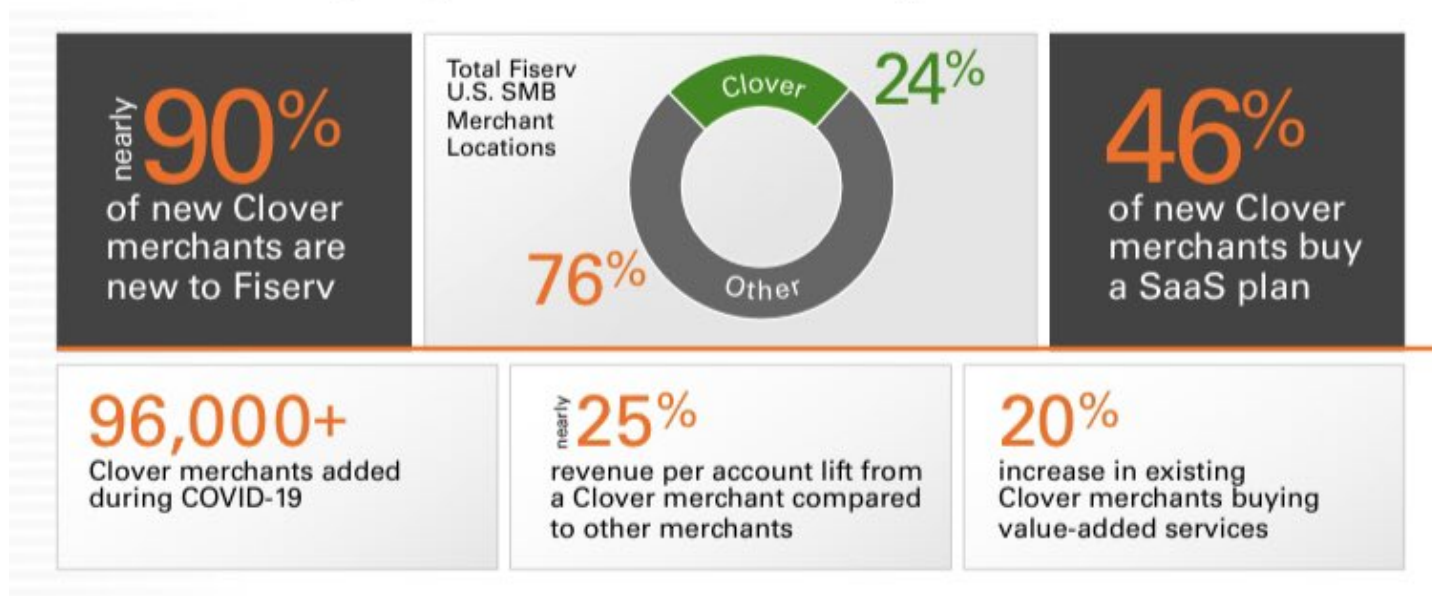
— BlueToothDDS (@BlueToothDDS) [March 6, 2020](#)

6) Clover was growing 40%+ pre-COVID and 30%+ in Q3, adding 96k new merchants during the pandemic ■ but still only 1/4 of FISV's SMB merchant base

Importantly, ~90% of new Clover merchants are net new \$FISV. This explosive growth is not self-cannibalization as previously feared <https://t.co/QOHo1dTOST>



## Clover Driving High-Value Merchant Acquisition



New Clover merchant percentage reflects only merchant adds to Fiserv for the last nine months ended September 2020. U.S. SMB merchant locations as of June 2021. New Clover merchant SaaS sales for the last 24 months ended November 2020. Merchants added during COVID-19 reflect unique merchants that are new to Fiserv as of June 2020, up to and including October 2020 in the U.S. Clover merchant revenue per account Q1 reflects average revenue Q1 for the last nine months ended September 2020. Increase in number of Clover merchants using value-added services for the last twelve months ended September 2020.

© 2021 Fiserv, Inc. or its affiliates.

FORTUNE World's Most Admired Companies

**fiserv.**



No doubt there's some self-cannibalization, but a lot of the investment FDC made in Clover is digital enablement for new merchant sign ups through the bank distribution channel.

The FISV cross sell is entirely net new, and these are even flowing into Clover numbers yet <https://t.co/u1Vn6lUAoQ>

— BlueToothDDS (@BlueToothDDS) November 18, 2020

7) Here's the updated head-to-head comparison between \$SQ (which was decelerating even before COVID and skews micro-sellers) vs \$FISV Clover (scaling fast and growing rapidly despite COVID)

It's a 2■ race, and while one is getting tired, the other is pulling ahead for the win■ <https://t.co/UPy1OJma6v>

	2018				2019				2020		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3
<b>% GPV YoY Growth</b>											
 <b>clover</b>	50%+	50%+	45%	~45%	~40%	~40%	40%+	40%+	29%	4%	30%
 <b>Square</b>	31%	30%	29%	28%	27%	25%	26%	25%	14%	(15%)	12%
<i>Larger sellers (\$125k+)</i>	43%	42%	40%	39%	38%	35%	33%	34%	16%	(18%)	13%
<i>Micro sellers (&lt;\$125k)</i>	22%	21%	15%	19%	17%	15%	15%	14%	11%	(11%)	(6%)

1) Been dwelling on this for a while. Thoughts on \$SQ vs Clover, now part of \$FISV

TLDR:

Clover=fast follower, quickly gaining.


SQ=decelerating GPV growth likely to continue. Future growth tied to up/cross-sell of sw/services@JerryCap  
@lazyluncheon <https://t.co/XS8IWSP6Zg>

— BlueToothDDS (@BlueToothDDS) November 14, 2019

8) Oh yeah... and that strong growth is before any of “bank merchant” synergies from offering Clover to its 4,000 small/community bank customers where \$FISV is core account processor

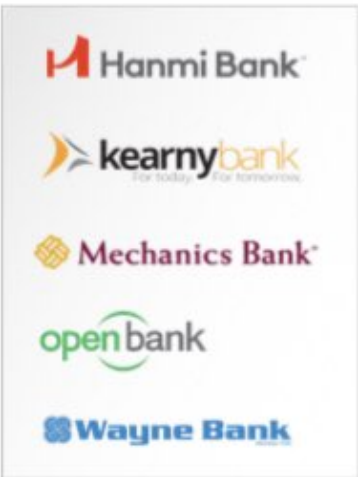
Since FDC deal closed, 200+ banks have signed up to resell Clover to SMBs, 500+ more in pipeline

## Merchant Solutions Accelerate Growth for Financial Institutions




With Fiserv, rich analytics have allowed us to be laser-focused on our valuable merchant clients, and with seamless onboarding across our digital channels, we've seen our SMB portfolio more than double.

— Tim Swansson  
Executive Vice President  
and Chief Technology  
and Innovation Officer,  
Kearny Bank



**\$230M**  
Revenue Synergy Target



more than **200**  
FI Partners Signed

more than **500**  
FI Partners in Sales Pipeline

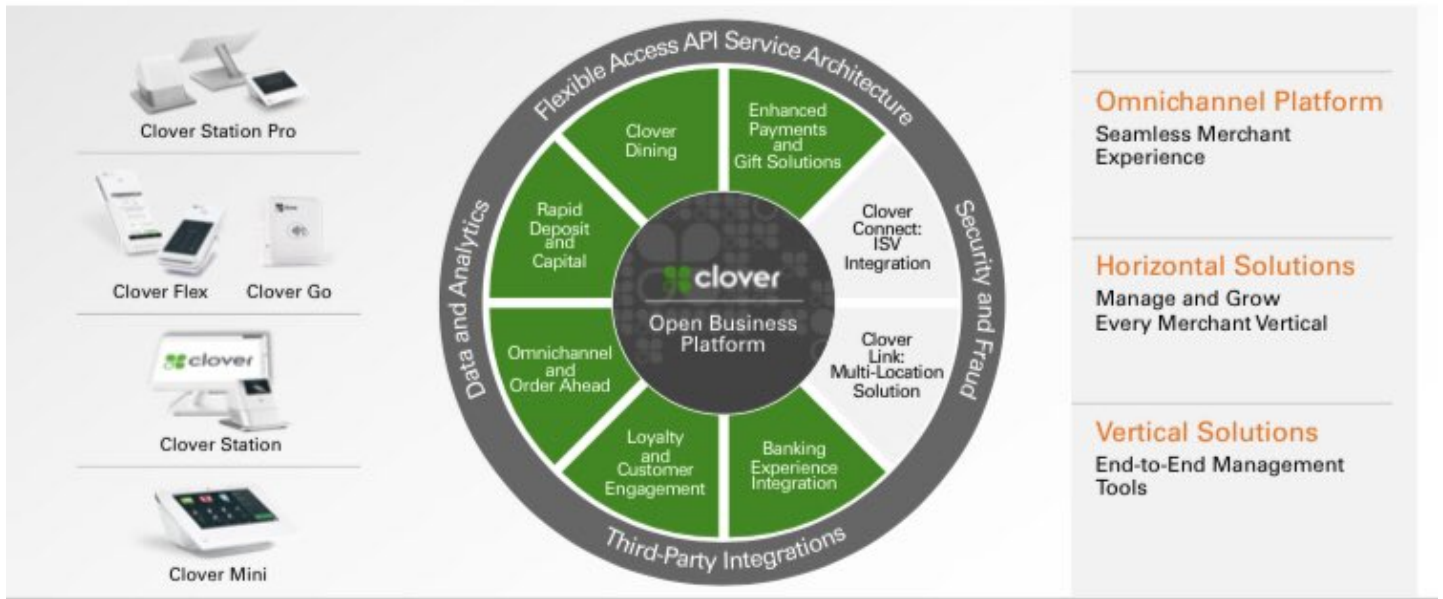
9) Why is Clover so exciting for \$FISV?

Remember, Clover is an open platform, not just a cloud POS integrated with payment processing

It has both FISV-delivered and 3rd party apps that help SMB merchants manage and grow their business, with attach rate for software near 50%



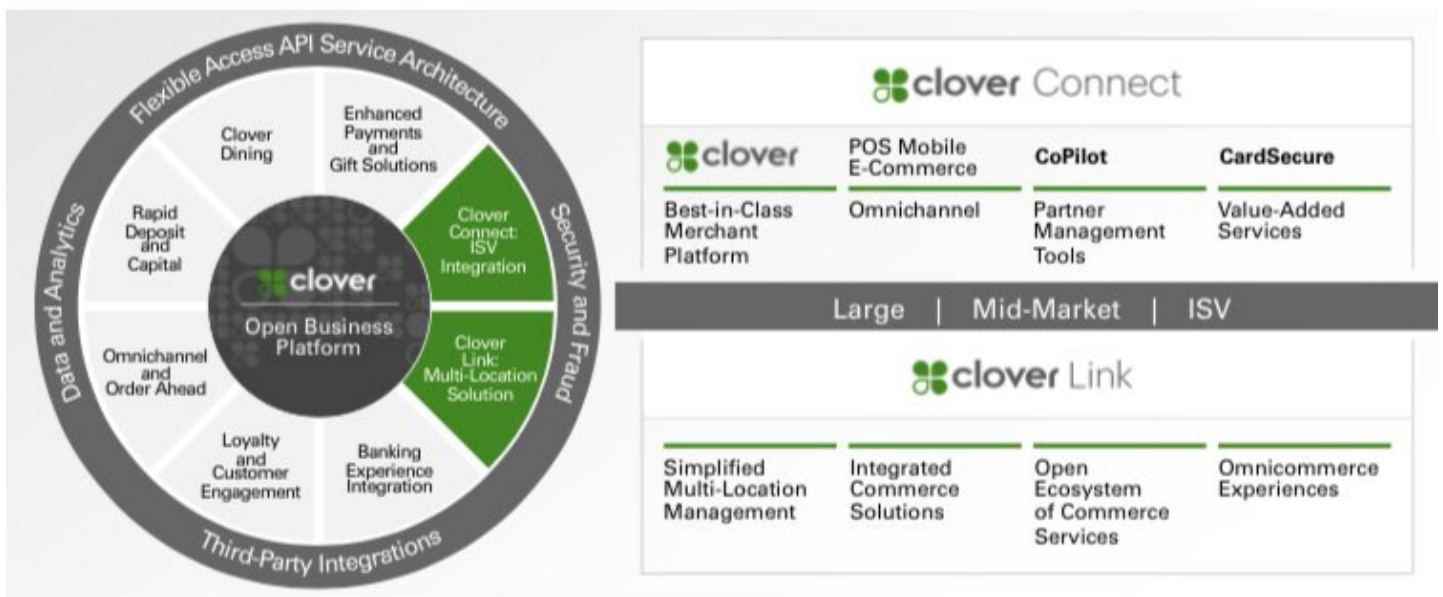
# Omnichannel Platform Capabilities



10) Even more powerful is how \$FISV has integrated ISV capabilities (CardPointe/CoPilot) into Clover to grow further up market

Now 3rd party ISVs can build specialized vertical solutions with integrated payments on top of the Clover form factor, and resell it to their customers

## Moving Clover Upmarket




11) The ISV/Integrated market is growing 15-20% annually, the leaders are \$GPN and \$FIS/WorldPay

\$FISV/FDC is a relative newcomer, with 1,000 ISV partners and growing at ISV revenue growing 50%+ despite COVID


Clover target verticals: Spa/Salons, B2B, Field Services, Vet/Health

Next-Gen Technology Platforms


Driving Revenue and Boosting Client Acquisition for ISVs



Market-Leading Partner Management Tools




Best-in-Class Omnichannel Merchant and Developer Platforms



Serve as New Customer Acquisition Engine for Partners

nearly  
**\$3.5**  
billion  
Addressable Market



Target Segments

Salon, Spa and Clubs

B2B E-Commerce

Field Services

Veterinary


Specialty Healthcare

2019 U.S. QV Total Addressable Market based on internal analysis from Fiserv and third-party data.

135 © 2020 Fiserv, Inc. or its affiliates.

FORTUNE **World's Most Admired Companies**

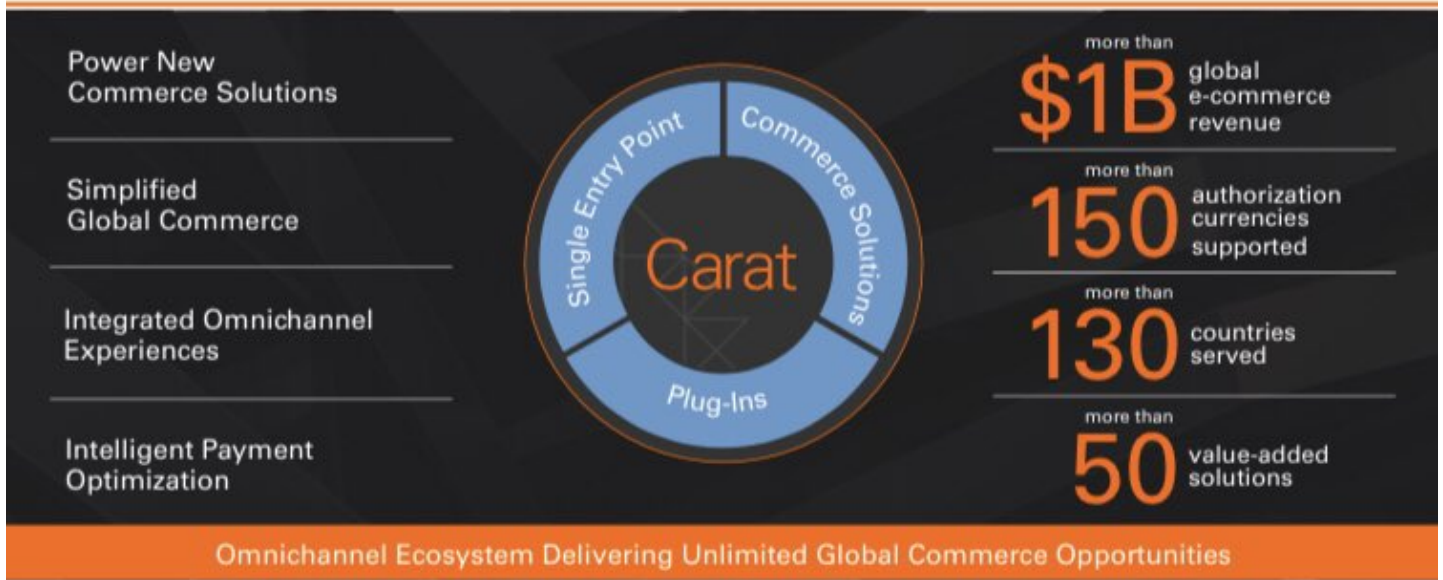
2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020



12) The second growth engine within \$FISV merchant is Carat, the new brand for the global e-comm/omni-commerce platform

Today, e-commerce accounts for \$1B+ of FISV/FDC revenue, doubling since FDC's investor day in 2016 (15-20% annual growth, in line with global e-comm)

# Delivering Next-Gen Commerce With Carat



Global e-commerce revenue represents denominated revenue for the quarter ended September 2020.

© 2020 Fiserv, Inc. or its affiliates.

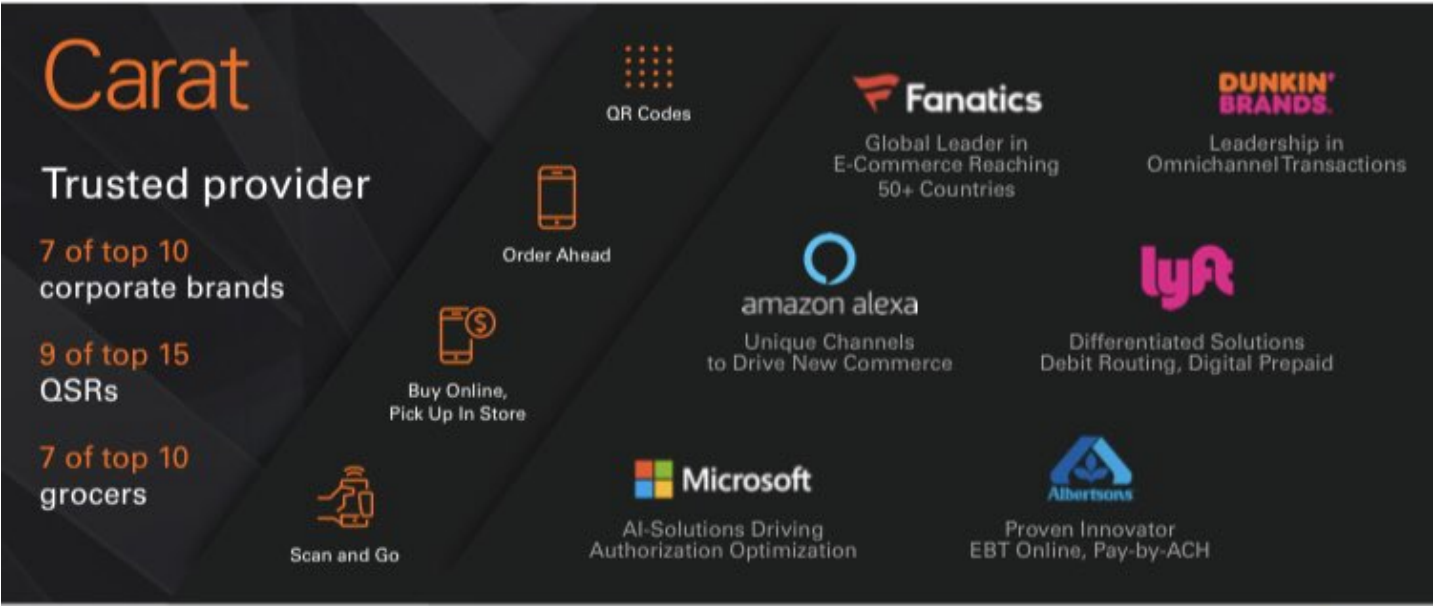
FORTUNE World's Most Admired Companies 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020

**fiserv.**

13) Carat is a culmination of 3 yrs of investment by \$FISV, the re-platforming of FDC's multi-currency/multi-country OmniPay technology

While the Carat name is new, its market presence is not. FISV is already used by a number of leading brands for omni-channel commerce

## Next-Gen Technology Platforms Powerful Value Proposition Drives Enterprise Commerce



Previous names: payments in EMEA (SE, APAC) US, LATAM (S), Americas, Alexa, and all related trademarks are trademarks of Amazon.com, Inc. or its affiliates.

© 2020 Fiserv, Inc. or its affiliates.

FORTUNE World's Most Admired Companies 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020

**fiserv.**

14) It should already be widely known today that \$FISV is the underlying processor behind Stripe, Braintree and PayPal, and therefore benefits from their success. This indirect, wholesale e-comm processing business is some \$250M of annualized

revenue today <https://t.co/ei2To0u4CF>

4) Also under appreciated is the fact that \$FISV/FDC is the back-end processor to Stripe, Braintree and PayPal in the US. It gets paid on all their transactions through its JV with WFC. In fact, FDC/WF has the 2nd largest exposure to e-commerce, behind only Chase (which has AMZN) [pic.twitter.com/qVt9k8eIEc](https://pic.twitter.com/qVt9k8eIEc)

— BlueToothDDS (@BlueToothDDS) [July 3, 2020](#)

15) What's probably less well appreciated is the size of \$FISV direct e-comm business. Today this is ~\$750M of revenue (about the size of Adyen)

In Q3, FISV e-comm transactions grew 25%, in line with the market

Was FDC/FISV late to the game in e-comm? Yes

Is the game over? No



16) I know there's a narrative that Adyen and Stripe are going to take over the world, and legacy players like \$FISV are just share donors

This threat is serious/real as more of commerce is shifting from offline to online. It's 85/15 today and is only going in one direction ...

17) ... but let's put all this in context

Stripe is ~100% online merchants and sits on top of \$FISV for processing



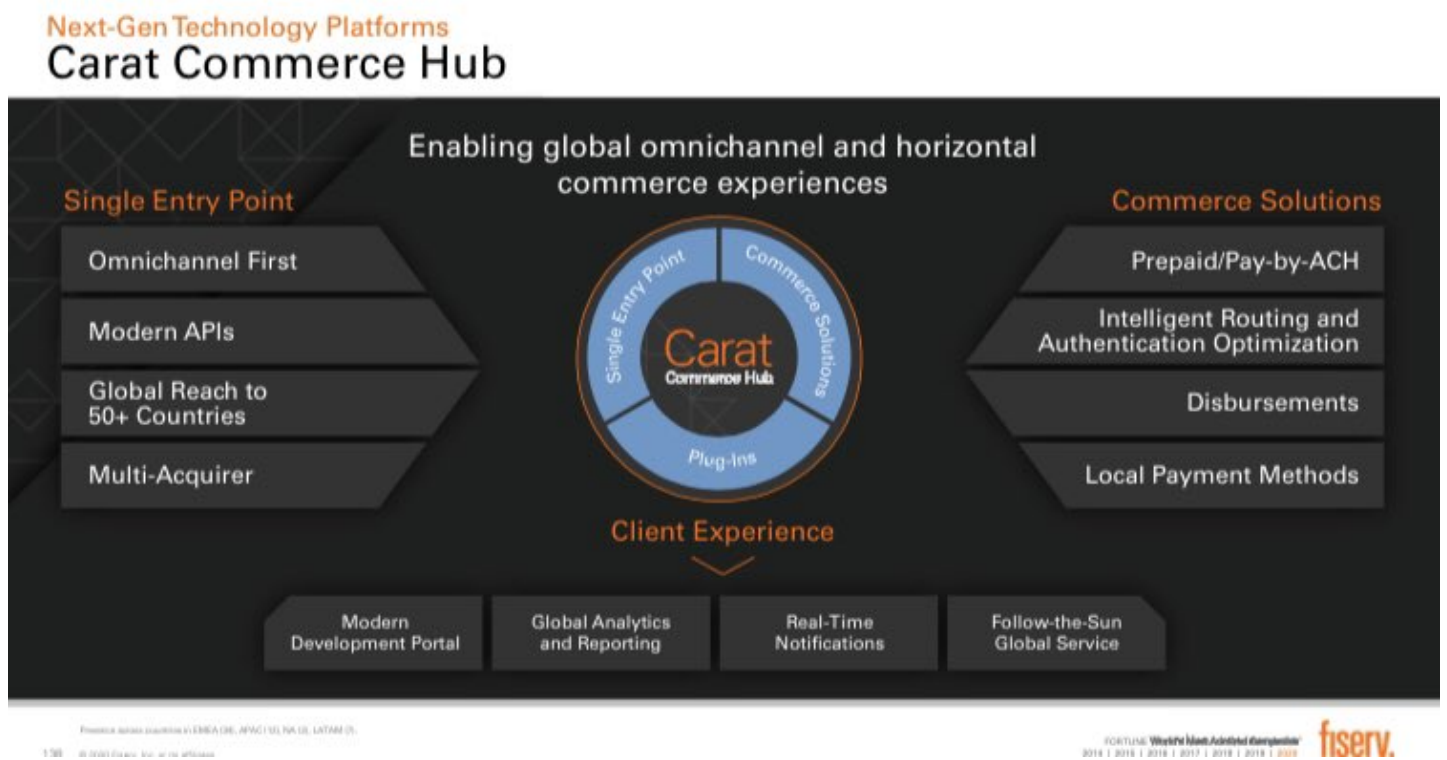
Adyen is ~85% online and has offline ambitions. It's a much larger threat given full stack acquiring, global footprint and focus on enterprise merchants

18) Remember, Adyen is ~\$800M of revenue, of which 2/3 is Europe and 95%+ is large multinational merchants wanting a single integration for global acquiring

It's offline capabilities center around omni-channel commerce but are still nascent (< \$50B annual GPV worldwide)

19) \$FISV is not ceding this market to Adyen without a fight

It's new Carat Commerce Hub is an orchestration layer for multi-party global acquiring through a single point of integration, enabling FISV to sit "on top" to integrate a merchant's multiple acquiring relationships

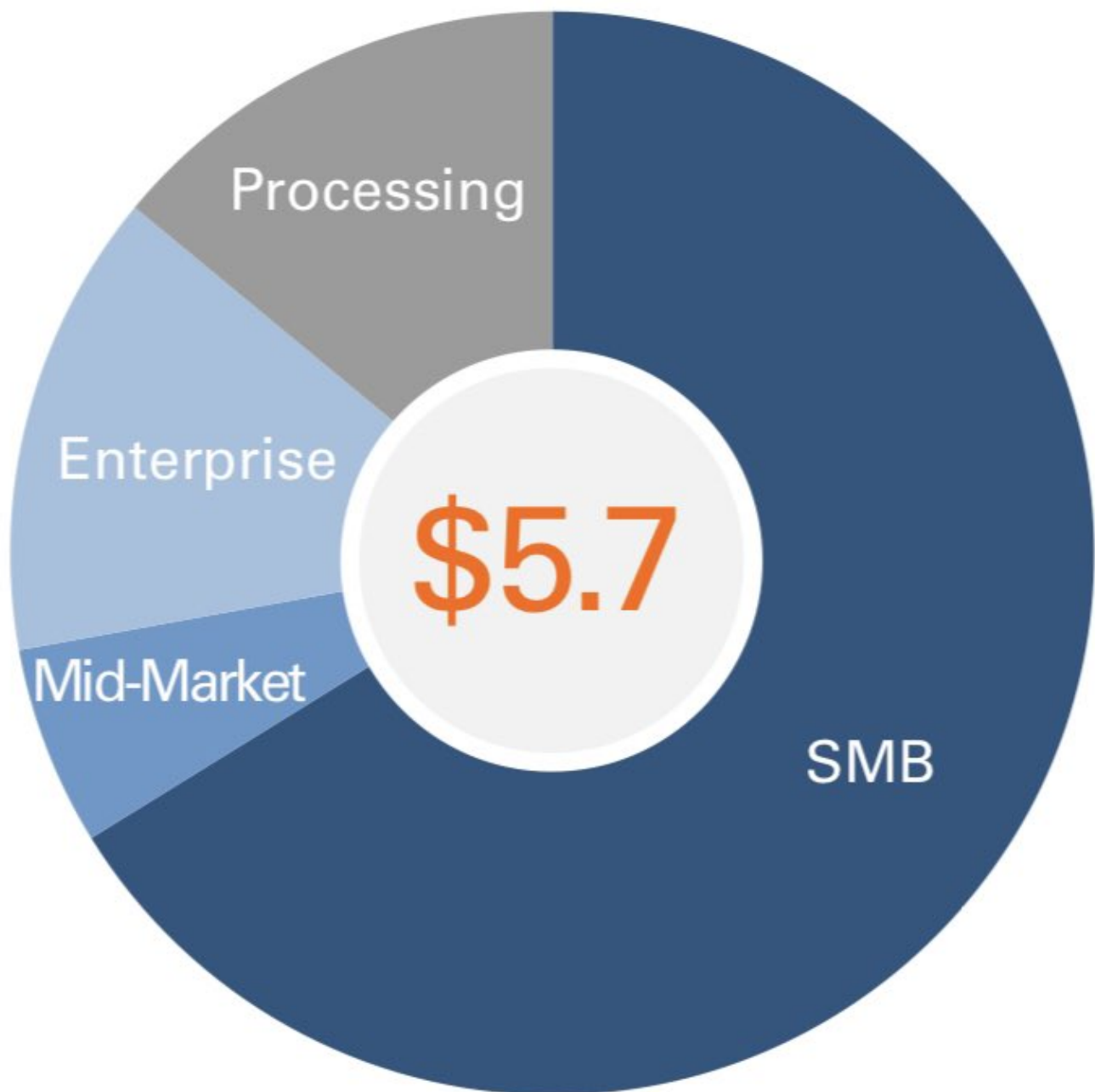


20) Will Carat be enough to mitigate the Adyen threat? We'll have to see ■

But let's add some more perspective: Enterprise is < \$1B of \$FISV Merchant revenue, add in Mid-Market where Adyen is trying to gain some presence and we're at maybe ~20% exposure to the Adyen threat ...

# Merchant Acceptance

---



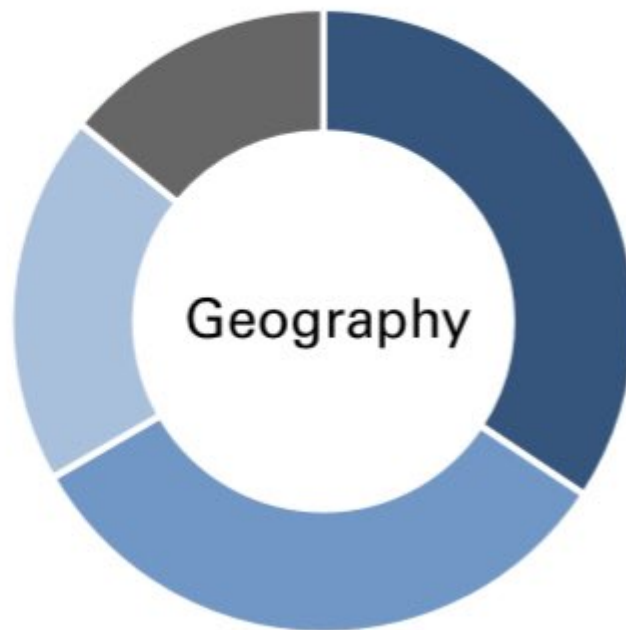
21) ... but remember, in its biggest market ■■■, categories such as Groceries, Pharmacies, Gas are 1/3 of \$FISV Merchant GPV and probably account for most of the non-SMB revenue that would be exposed to Adyen if it made significant inroads into the US (< 20% of Adyen today) ...



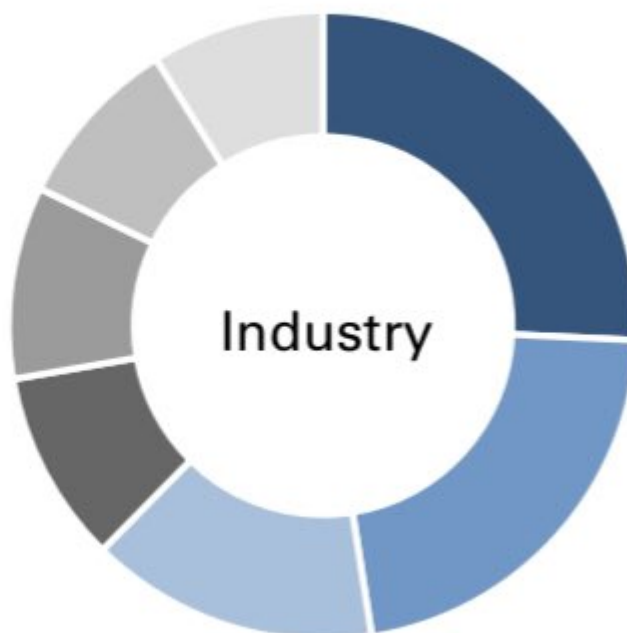
# Advantaged Client Mix

U.S. GPV

- South
- West
- Midwest
- Northeast



- Retail
- Other Services
- Grocery
- Medical/Essential
- Restaurant
- Travel
- Petro



22) ... and in these categories, scale/pricing matter more than slick API integrations or multi-country acquiring. All of these merchants have razor thin margins and heavily utilize the PIN debit routing/on-us benefits of \$FISV that Adyen just doesn't have

Scale matters here <https://t.co/dUMVJV9LkN>

2) In payments, you win by being niche/focused (differentiation) or with scale (distribution/pricing).

Love Adyen but to put in context, it's processing <\$300B annualized volume today (albeit at ~40% growth) and probably ~\$100B in US

FDC processes \$2.3T in just the US alone!

— BlueToothDDS (@BlueToothDDS) July 3, 2020

23) Why isn't Adyen a threat to the SMB merchant franchise?

One word: Distribution. Adyen sells its solution alone

\$FISV leverages SMB acquisition partners across bank and non-bank channels, ISOs, ISVs, and other local partners, in addition to its own direct sales force ...

### Local Execution

## Building and Strengthening Distribution



Number of distribution partners as of September 2020.

© 2020 Fiserv, Inc. or its affiliates.

FORTUNE **World's Most Admired Companies**  
2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020

**fiserv.**

24) ... and this unparalleled distribution is the same reason \$FISV was able to scale Clover so rapidly to over take \$SQ despite being a second mover following a copycat strategy.

In SMB land, "feet on the street" beats "innovation" all day long ■

Distribution matters here <https://t.co/8PKUBpmdSw>

7) Here's the updated head-to-head comparison between \$SQ (which was decelerating even before COVID and skews micro-sellers) vs \$FISV Clover (scaling fast and growing rapidly despite COVID)

It's a 2001f434 race, and while one is getting tired, the other is pulling ahead for the win 2001f3c5  
<https://t.co/UPy1OJma6v> [pic.twitter.com/skDr2Ka42N](https://t.co/skDr2Ka42N)

25) Tying this all back to growth

Not too long ago, \$FISV Merchant was a low-single digit grower

It grew 10% in 2019, so a 9-12% medium term outlook certainly looks achievable — particularly if it's 2 growth engines (Clover + Carat) are ~40% of segment revenue and growing 20%+

## Commerce Next: Merchant Solutions for a New Frontier

### Merchant Solutions Summary

Leading the market in digital and omnicommerce

Rapidly expanding “Beyond the Buy Button” capabilities

Continuing to invest in our three next-gen segment-based platforms: Clover, Clover Connect and Carat

Delivering ongoing improvements in core payments outcomes

Growing our global market presence with world-class partners and directly under the Fiserv brand

Capturing the integration benefits of the new Fiserv

### Medium-Term Outlook

Internal Revenue Growth

**9-12%**

Adjusted Operating Margin



Medium-Term Outlook reflects anticipated financial results in each of 2022 and 2023. See appendices to presentations for additional information.

143 © 2020 Fiserv, Inc. or its affiliates

FOOTNOTES: [Website](#) [Investor](#) [Feedback](#) [Outspeaker](#)  
2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020

**fiserv.**