

# Twitter Thread by BlueToothDDS



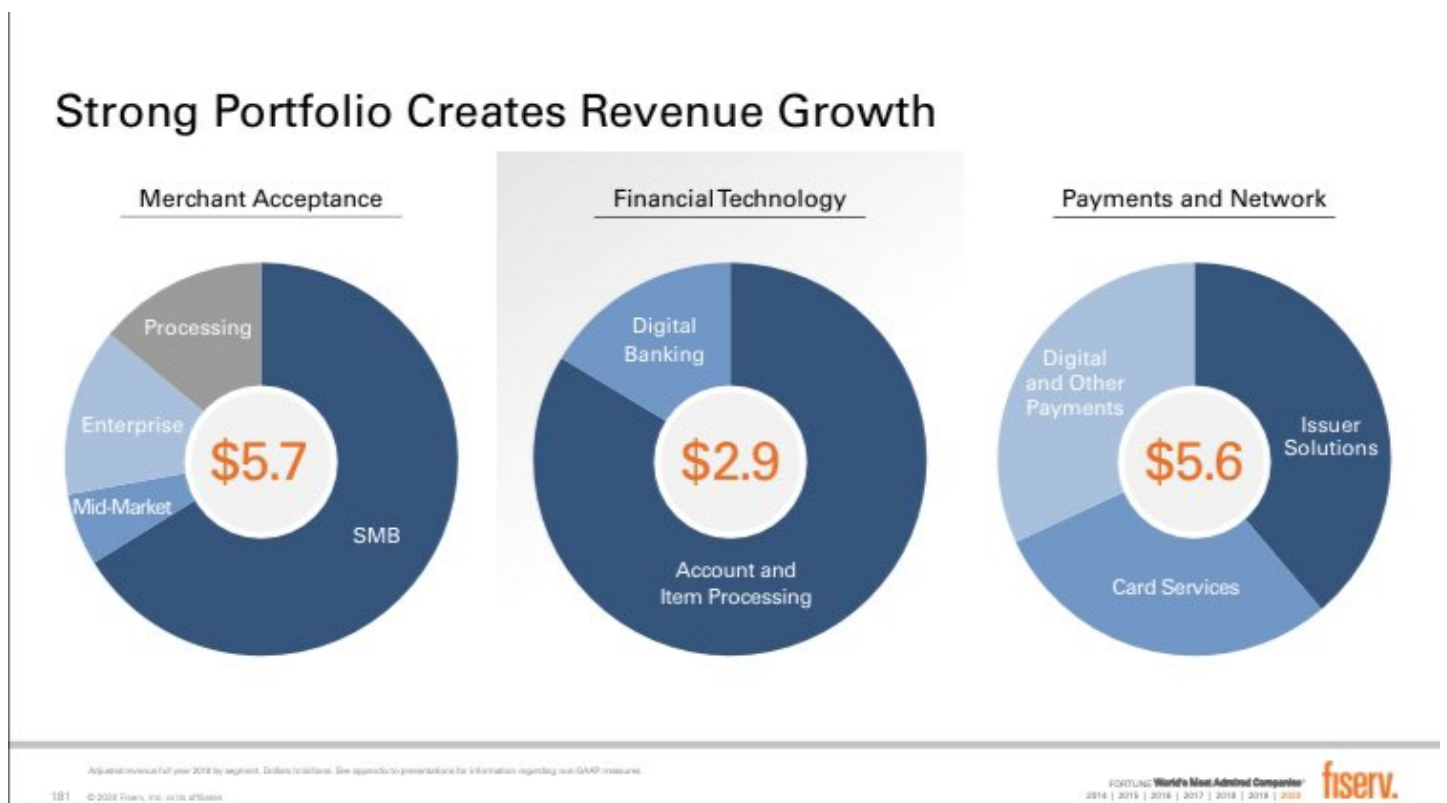
**BlueToothDDS**

@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>**



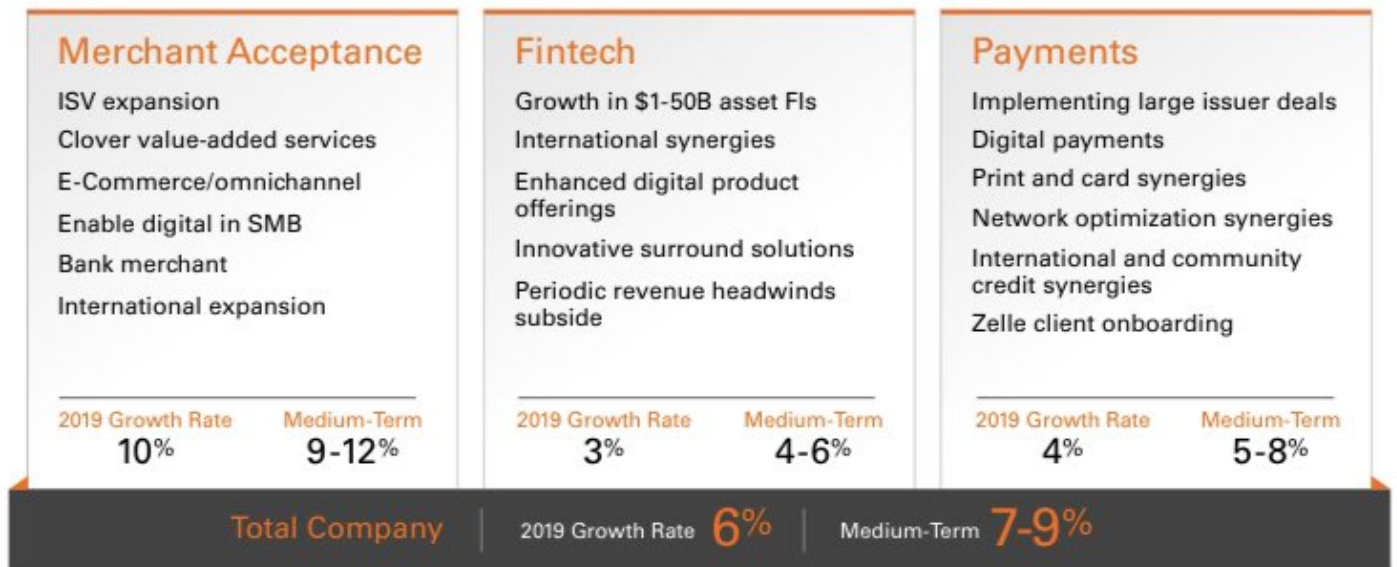
3) The revenue mix of \$FISV today (post FDC merger) is roughly ~40% merchant acquiring, ~45% issuer processing and other payments related services, and ~15% core bank processing. Will take these in turn, then highlight growth levers Iu2019m most excited to watch in the coming years [pic.twitter.com/yhvkCQrsF8](https://pic.twitter.com/yhvkCQrsF8)

— 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 2020 and 2021. See appendix to presentation for additional information.

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FOR TIME 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\u20192019I 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](https://www.instagram.com/BlueToothDDS)

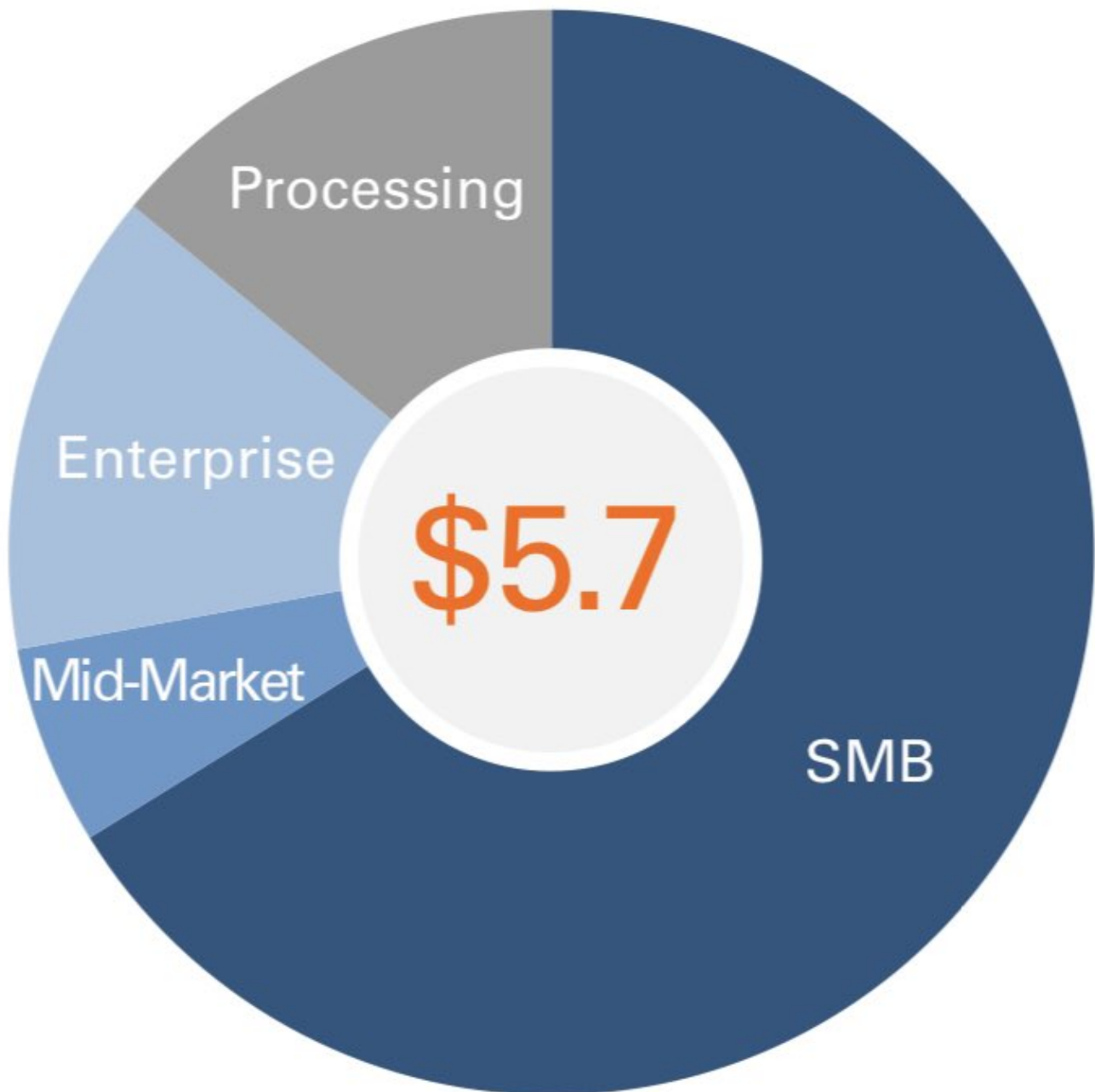
Let's start with Merchant:

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

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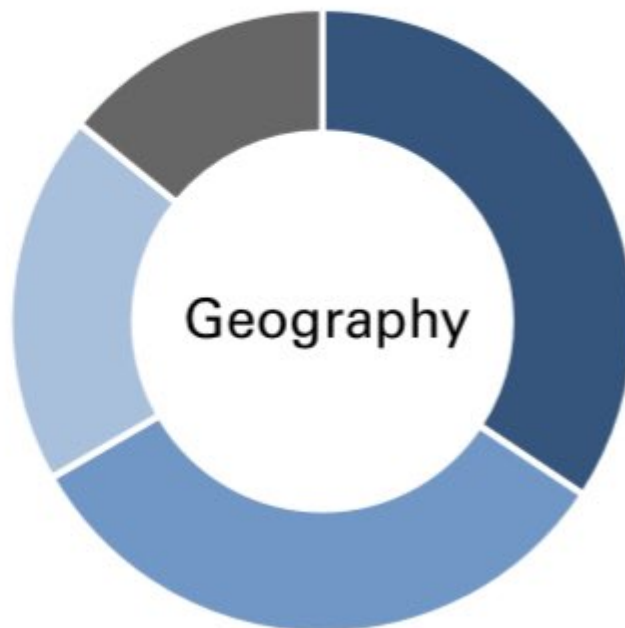


2) ■■ is 3/4 of the \$FISV Merchant segment and the scale of this business is unmatched: it processes 40% of all in-person purchases in the US, covers 80% of all US zip codes and accounts for 10% of US GDP. This book of business is the most balanced in the industry <https://t.co/Qlkk7lz3jQ>

# Advantaged Client Mix

U.S. GPV

- South
- West
- Midwest
- Northeast



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



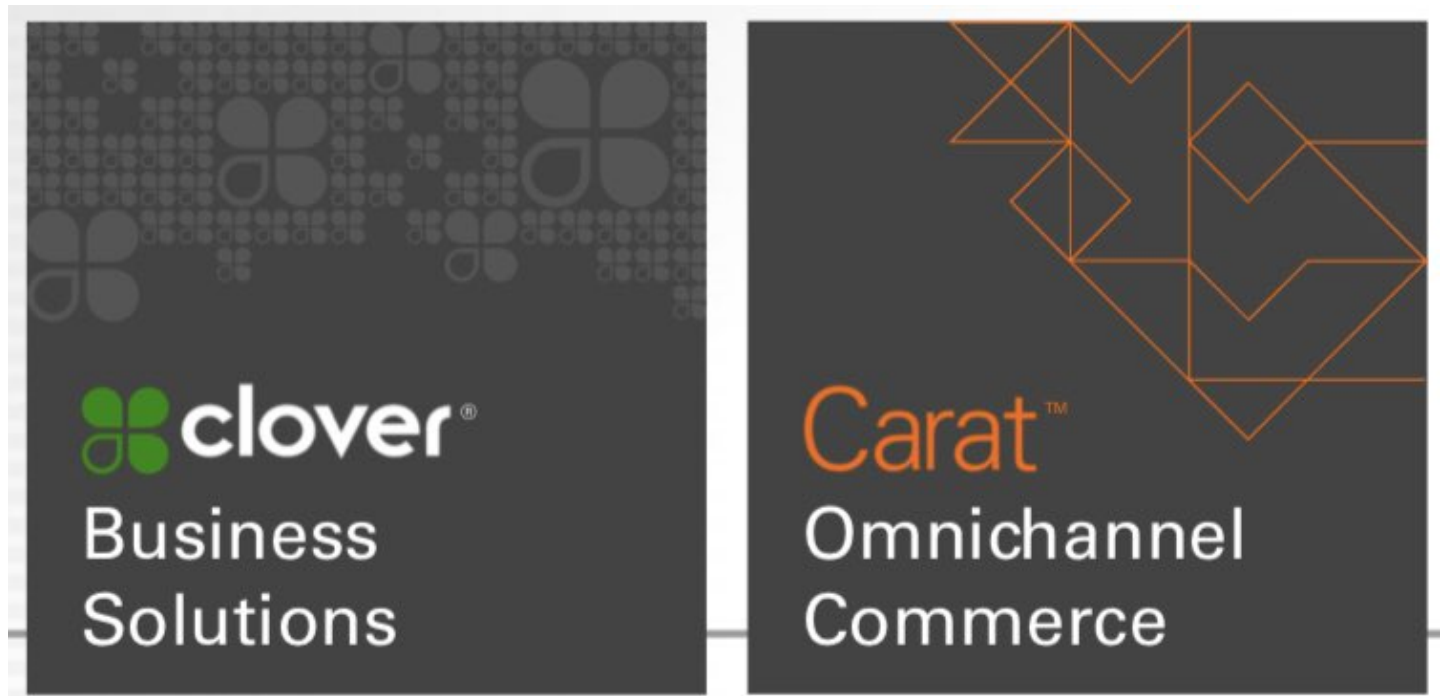
4) \$FISV merchant business is the largest US acquirer processing \$2.4 trillion of payments annually (including through JVs with BAC, WFC, PNC, C) accounting for 10% of U.S. GDP. This segment includes Clover, which focuses on SMBs and is \$105B runrate today growing at 40%+ annually [pic.twitter.com/M5j4mbeiJX](https://pic.twitter.com/M5j4mbeiJX)

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

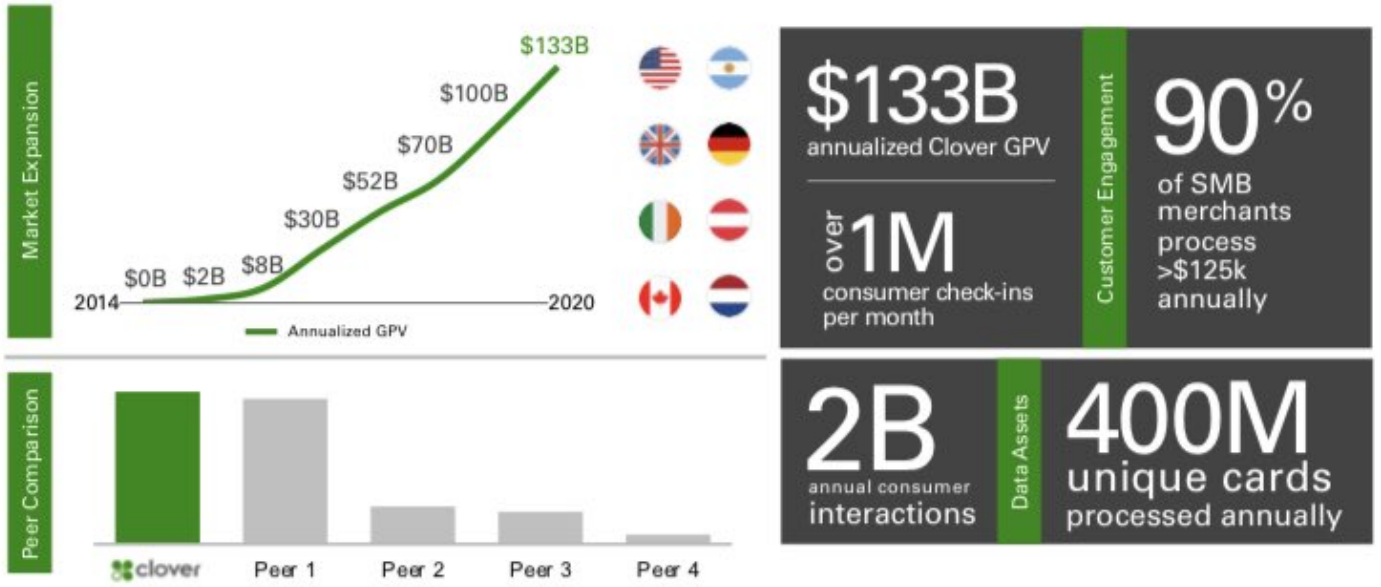


5) Clover is the single most exciting thing going on at \$FISV

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/EJqhKl6Kaz>

# Accelerating Clover Growth and Value



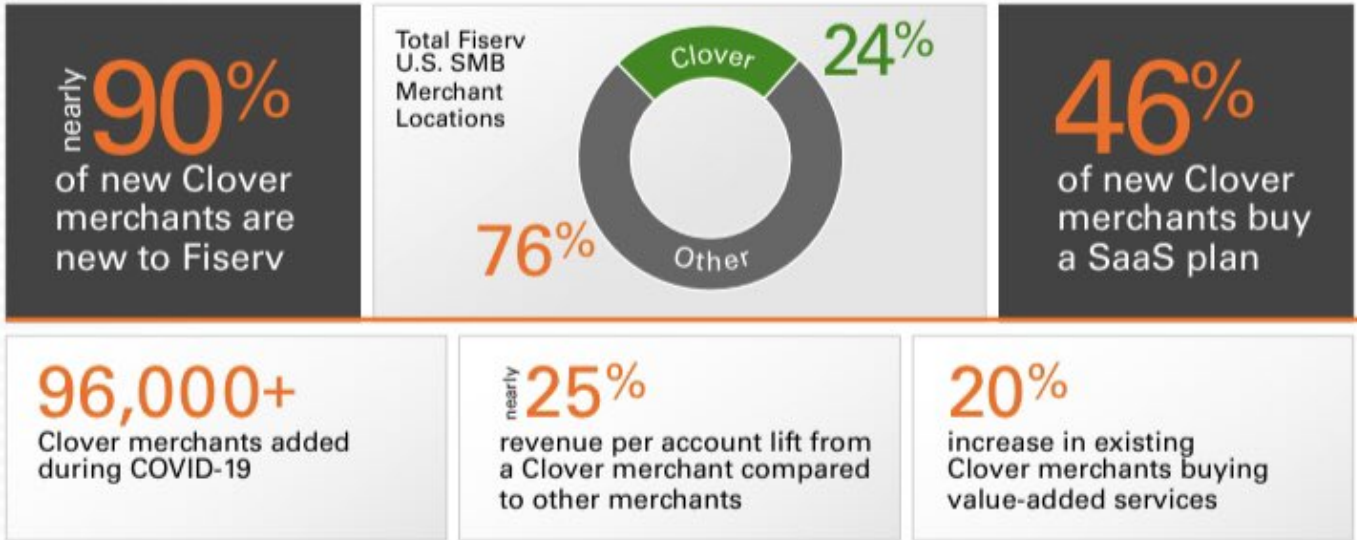
7) For SMB merchant acquiring, it's a 2019s a 2 horse race between \$FISV Clover and \$SQ. Fast follower Clover quickly gaining ground and growing GPV at almost 2x the rate, accelerating while SQ decelerating. Most notably, this is before any bank led distribution <https://t.co/mTkEeDZJys> [pic.twitter.com/Bg6AmXFH9H](https://t.co/Bg6AmXFH9H)

— 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/QOH01dTOST>

# Clover Driving High-Value Merchant Acquisition



New Clover merchant percentage reflects new merchant additions 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 20 months ended November 2020. Merchants added during COVID-19 reflects unique merchants that is presented for the last three months ended March 2020, up to and including October 2020 in the U.S. Clover merchant revenue per account (RPA) reflects average revenue (R) for the last nine months ended September 2020 (RPA). Clover, excluding Fiserv, under \$1M in GPV. Increase in number of Clover merchants using value-added services for the last seven months ended September 2020.

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>

| % GPV YoY Growth                  | 2018 |      |     |      | 2019 |      |      |      | 2020 |       |      |
|-----------------------------------|------|------|-----|------|------|------|------|------|------|-------|------|
|                                   | Q1   | Q2   | Q3  | Q4   | Q1   | Q2   | Q3   | Q4   | Q1   | Q2    | Q3   |
| <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

Hanmi Bank

kearnybank  
For today. For tomorrow.

Mechanics Bank

openbank

Wayne Bank

**\$230M**  
Revenue Synergy Target

clover

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

**Omnichannel Platform**  
Seamless Merchant Experience

**Horizontal Solutions**  
Manage and Grow Every Merchant Vertical

**Vertical Solutions**  
End-to-End Management Tools

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

| clover Connect                       |                               |                                     |                          |
|--------------------------------------|-------------------------------|-------------------------------------|--------------------------|
| <b>clover</b>                        | POS Mobile E-Commerce         | CoPilot                             | CardSecure               |
| Best-in-Class Merchant Platform      | Omnichannel                   | Partner Management Tools            | Value-Added Services     |
| Large   Mid-Market   ISV             |                               |                                     |                          |
| clover Link                          |                               |                                     |                          |
| Simplified Multi-Location Management | Integrated Commerce Solutions | Open Ecosystem of Commerce Services | Omnicommerce Experiences |

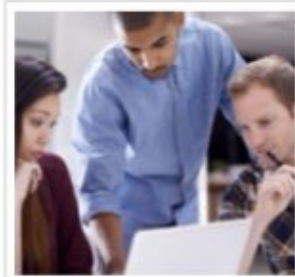
11) The ISV/Integrated market is growing 15-20% annually, the leaders are \$GPN and \$FIS/WorldPay

\$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

 **clover** Connect

| 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.  
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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

Power New Commerce Solutions

Simplified Global Commerce

Integrated Omnichannel Experiences

Intelligent Payment Optimization

more than **\$1B** global e-commerce revenue

more than **150** authorization currencies supported

more than **130** countries served

more than **50** value-added solutions

Omnichannel Ecosystem Delivering Unlimited Global Commerce Opportunities

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

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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

**Carat**

Trusted provider

- 7 of top 10 corporate brands
- 9 of top 15 QSRs
- 7 of top 10 grocers

QR Codes

Order Ahead

Buy Online, Pick Up In Store

Scan and Go

**Fanatics**  
Global Leader in E-Commerce Reaching 50+ Countries

**amazon alexa**  
Unique Channels to Drive New Commerce

**Microsoft**  
AI-Solutions Driving Authorization Optimization

**DUNKIN' BRANDS.**  
Leadership in Omnichannel Transactions

**lyft**  
Differentiated Solutions Debit Routing, Digital Prepaid

**Albertsons**  
Proven Innovator EBT Online, Pay-by-ACH

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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

## Omnichannel Capabilities Delivering Digital Commerce Across the Globe



It [Fiserv] also has an eye on the future: Fiserv has a sizable innovation budget and has helped merchants with newer payment experiences like online EBT acceptance, voice commerce, and scan-and-go in the grocery sector.

FORRESTER

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

## Next-Gen Technology Platforms Carat Commerce Hub



Financial services provided in EMEA (SE, APAC) US, NA (US, LATAM) (L)

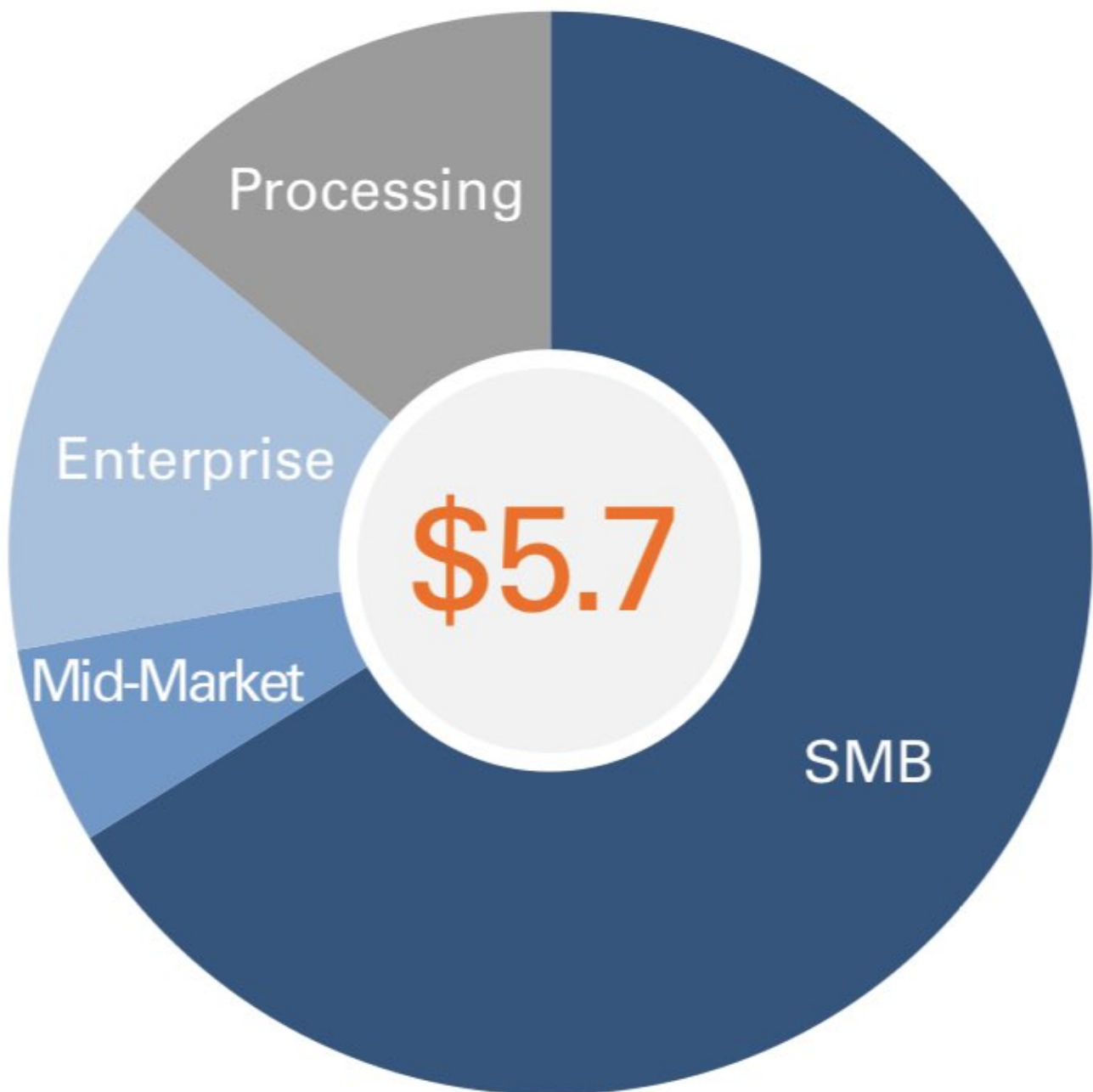
FORTUNE "World's Most Admired Companies" 2016 | 2018 | 2019 | 2020 | 2021 | 2022 **fiserv.**

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

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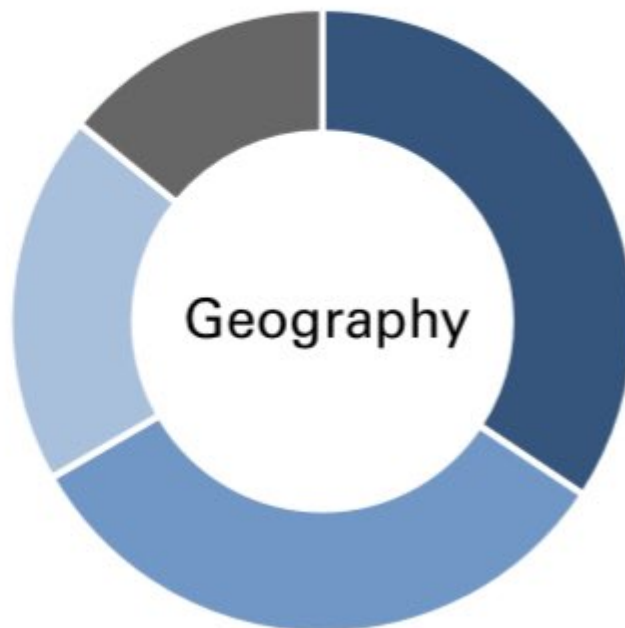


21) ... but remember, in its biggest market ■■, categories such as Groceries, Pharmacies, Gas are 1/3 of \$FISV Merchant GPV and probably account for most of the non-SMB revenue that would be exposed to Adyen if it made significant inroads into the US (< 20% of Adyen today) ...

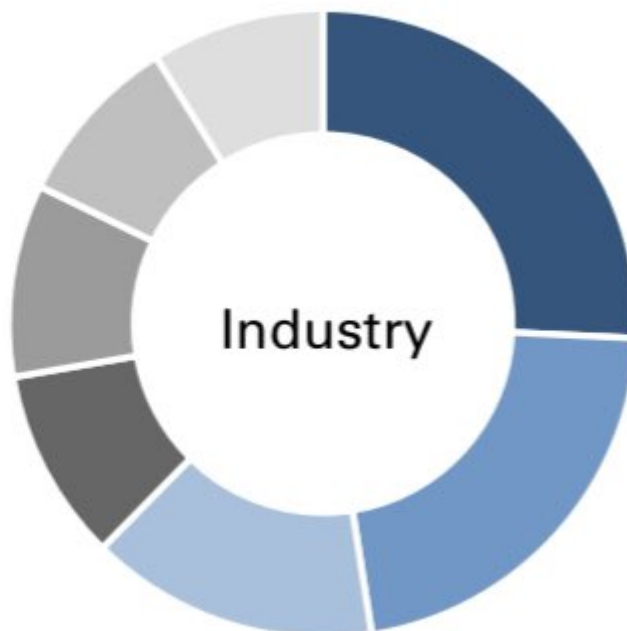
# Advantaged Client Mix

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

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 2020 race, and while one is getting tired, the other is pulling ahead for the win  
<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 appendix to presentations for additional information.

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2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 **fiserv.**