Fiserv (FISV)

Thesis and analysis — October 12, 2026

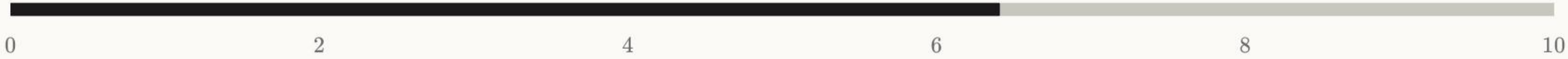
The thesis

HOLD

A sticky, about 80%-recurring payments and core-banking franchise that, once an overstated maintenance-capital charge is corrected, earns a normalized operating profit of about $6.7B (EV/EBIT about 8, P/E about 6, tangible return on capital about 165%) — cheap on the multiples, but roughly $29B of debt and a value anchored to unchanged cash flow leave only a thin margin of safety, so it is a hold, not an add.

The score

6.4 / 10 — hold signal



Lifting it: Return on capital (ROIC), Price

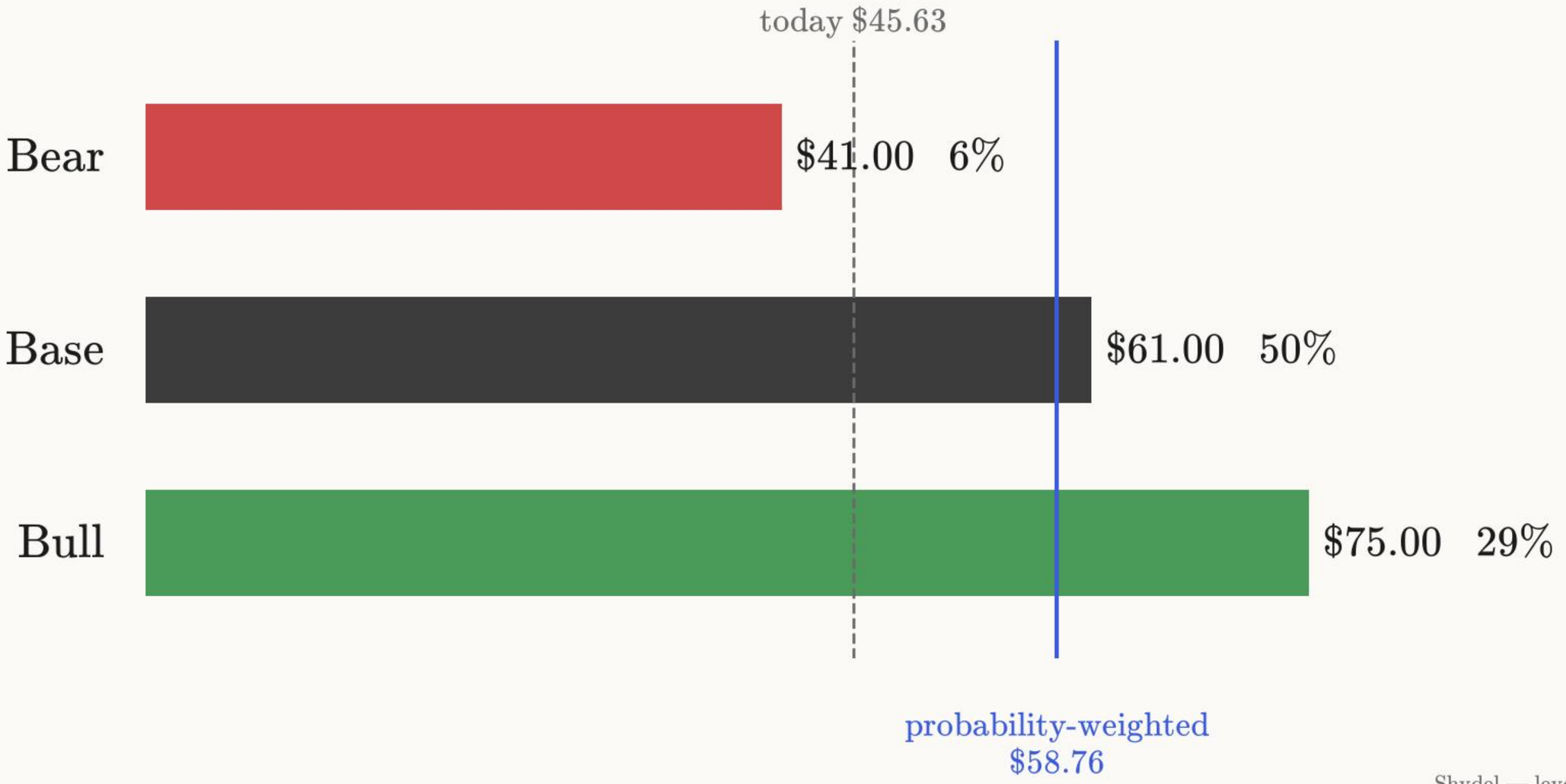
Holding it down: Balance sheet and debt, Risks

The key numbers

EV / EBIT, normalized	8.0×
P / E, normalized	6.0×
ROIC, normalized	165%
Operating margin, average	31.6%
Marginal return on capital	75%

normalized FY2019-FY2025

What one share is worth



Filings and accounting quality

Accounting is clean US GAAP and the key numbers now reconcile fully to the filings; the only earnings-quality overhang is qualitative (pre-reset adjusted metrics and pending litigation), not a restatement.

- Sources: FY2025 10-K, FY2024 10-K, FY2021 10-K, Q2 2026 10-Q; 41/42 checklist items verified from SEC XBRL.
- Unusual items read from the filings per normalization year (not Yahoo): FY2024–$595M WFMS equity-method impairment (below operating income); FY2023 +$167M and FY2022 +$44M net disposal gains (inside operating income, removed as one-offs); FY2021 ~+$73M InvestCloud/Tegra118/Ondot gains (below); FY2019–20 none material below operating income (First Data integration costs sit inside operating income and recur, kept in base).

Balance sheet

Capital-light operations sit on a goodwill- and debt-heavy balance sheet: high returns on tangible capital, but leverage is the vulnerability.

- Net working capital (operating) $1.21B FY2025; net fixed assets $3.08B; tangible capital about $4.3–5.1B on $21.2B sales, so sales/capital about 4.2×.
- Goodwill + intangibles about 60% of total assets — the acquisition-built model.
- Equity $25.8B, long-term debt (incl. current maturities) $29.0B, cash $0.8B judged entirely operating/settlement working cash (excess cash 0): net debt about $29.0B = 4.6× normalized EBIT.

Cash flow statement

Free cash flow and capex were already right; it was the D&A split that was wrong.

- Operating cash flow FY2025 $6,062M; capital expenditures (including capitalized software and other intangibles) $1,763M; lease payments $345M; stock-based pay $357M → free cash flow about $3.60B reported, about $3.73B normalized.
- Capex already includes capitalized software and other intangibles, so there is no separate recurring intangible spend to add — capex = PP&E + capitalized software, as the rules require.
- Total D&A $3,161M splits on the cash-flow statement into "Depreciation and other amortization" $1,857M (recurring) and "Amortization of acquisition-related intangible assets" $1,304M; only the latter is a non-cash acquisition charge.

Income statement

Normalized EBIT and margin were understated and are corrected upward.

- Reported FY2025 EBIT $5,818M, operating margin 27.5%; EBITDA about $8.98B.
- Normalized EBIT corrected to $6.69B (was $6.29B) and the 7-year recency-weighted operating margin to 31.6% (was 29.7%); 3-year average 33.0% and rising.
- Normalized net income $4.18B (was $3.85B), normalized EPS $7.62 (was $7.02) — interest $1,531M, tax 18.9% (median of normal years).

Debt tables

The debt is large but well-structured — mostly fixed-rate, long-dated and laddered — so the risk is leverage against falling EBITDA, not refinancing or rate shock.

- Total debt carrying about $26.9B (fair value $26.4B) + finance leases/other → about $29.0B gross; about $24.9B fixed-rate senior notes (coupons about 2.2–5.45%, maturities 2026–2036), about $1.2B commercial paper, about $0.95B revolver/foreign lines.
- Only about $2.1B variable-rate: a 1% rate move changes annual interest just about $21M. Interest coverage 3.8×.
- Liquidity ample near-term: $4.6B undrawn revolver (matures Aug 2030) + cash $0.80B + CP access; July-2026 note classified long-term as refinanceable.

Commitments and contingencies

The Clover securities litigation matters as an earnings-quality and management signal, not as a material cash exposure.

- Multiple federal securities class actions (In re Fiserv, Inc. Securities Litigation, SDNY No. 1:25-cv-06094 and E.D. Wis. No. 25-cv-1716), derivative suits and governmental investigations, all alleging that statements about Clover's growth (and Q2 2025 results) were false/misleading and drove the stock decline.
- Financial exposure is bounded and small: legal accrual $25M at Dec-31–2025 (down from $43M), with a possible range of loss in excess of accruals of only $0–$160M — immaterial against about $24B market cap.

Receivables and provision for credit losses

Not a credit business — merchant chargeback/fraud losses are a small, stable operating cost, not a balance-sheet risk.

- Merchant credit-loss allowance $46M (FY2024 $40M); merchant credit-loss expense $128M FY2025 ($108M FY2024, $80M FY2023) booked in cost of processing — about 0.6% of revenue, a recurring operating cost already in the margin.
- POS lease-receivable allowance $55M; merchant collateral held $588M mitigates chargeback exposure.
- Settlement assets and obligations are short-dated and offsetting (carrying ≈ fair value); the company uses but does not own partner-bank settlement assets.

Market and segment analysis

Two balanced, high-margin franchises with a geographic spread; Financial is the stickier oligopoly, Merchant the competitive growth engine.

- FY2025 revenue mix: Merchant Solutions $10.14B (47.8%, avg segment margin about 40%), Financial Solutions $9.66B (45.6%, about 52%), Corporate & Other -$1.39B drag.
- Largest segment 47.8% of revenue → reasonable diversification (scorecard diversification +0.24); geographic spread across US, Latin America and EMEA.
- Industry: payments processing is recurring, scale-advantaged and grows with payment volumes; Financial (core banking, card issuing, digital payments) is an entrenched #1/#2 oligopoly, while Merchant acquiring faces intensifying competition from Stripe, Square, Toast and Adyen.

Leases and real estate analysis

Leases and real estate are operating infrastructure, not a value driver or a hidden liability.

- Finance-lease principal $345M (FY2025) brought into free cash flow as a US statement shows it.
- Net fixed assets including right-of-use assets about $3.08B = about 15% of sales — asset-light; data centers and offices, no material owned real estate.

Depreciation analysis

The maintenance-capex error, corrected from the cash-flow statements — the central fix of this review.

- Maintenance capex = the "Depreciation and other amortization" line each year ($M): FY2019 615, FY2020 1,077, FY2021 1,158, FY2022 1,320, FY2023 1,479, FY2024 1,672, FY2025 1,857.
- This line is depreciation of plant plus amortization of capitalized software, other intangibles and deferred contract costs — all recurring. Only acquisition-related intangible amortization is excluded (FY2025 $1,304M: First Data customer relationships, software/technology, trade names).
- The about $2.3B the engine had excluded as "acquired" overstated the acquisition piece by about $996M (FY2025) — that $996M is recurring software/contract amortization and belongs in maintenance.

Business quality and moat

A narrow-moat franchise whose economics are stronger than the carried analysis showed, but whose moat is real-but-limited and under competitive pressure in Merchant.

- High returns on tangible capital: normalized tangible ROIC 165% (was 155%), operating margin 31.6% x sales/capital 4.17. The business needs little physical capital — tangible capital is only about 24% of sales.
- But growth is bought with goodwill: ROIC on invested capital (goodwill-inclusive) just 12.5% (was 11.8%) — about $48B of goodwill from First Data and prior deals, so the honest return on all capital put in is low-teens.

Management and governance

New, unproven leadership inherits a credibility problem and a debt-funded buyback record that has not created value at recent prices.

- Leadership overhaul: former Chairman/CEO Frank Bisignano departed (now a securities-suit defendant), Michael Lyons is CEO, Paul Todd CFO (Robert Hau now Special Advisor), plus a new independent chair — all since the late-2025 reset.
- The One Fiserv action plan (five pillars: enterprise client focus, Clover small-business platform, embedded finance/stablecoin, AI-driven operational excellence, "disciplined capital allocation") is the turnaround, but its benefits are explicitly uncertain and its costs are in the 2026 margin.

Valuation

Multiples corrected; the DCF value is cash-flow-limited, so intrinsic value moved little.

- Normalized EV/EBIT 7.96× (was 8.47), P/E 5.99× (was 6.50), P/FCF 6.51×; forward EV/EBIT about 8.4×, P/E about 6.4×.
- Two-stage APV DCF at a 10% business rate (US 10-yr 5.24% + about 4.8% ERP), operating margin capped at the about 28.9% cash margin, $29B net debt at face, 549M shares, interest tax shield about $5.48B added: worst $30, bear $40.5, base $61, bull $74.75.
- Probability-weighted value about $59.6 (was 58.27); value-without-bull about $53.0 (was 51.54) vs $45.63 price = about 1.16× (was 1.13×).

Risk and margin of safety

Leverage is slightly less stretched on the corrected EBIT, but remains the dominant risk.

- Net debt $28.96B = 4.33× normalized EBIT (was 4.6× on the understated EBIT); interest coverage about 3.8×; 3.75× leverage covenant that tightens as EBITDA falls.
- Permanent-loss probability trimmed to 0.14 (from 0.15) on the lower leverage ratio; worst case about $30, each $1B of debt about $1.8/share.
- Unchanged risks: Clover securities litigation and government inquiries pending; merchant share loss to Stripe/Square/Toast/Adyen; whether the 2026 margin reset is a trough or structural.

Decision, sizing and portfolio fit

The correction does not change the action: hold at target weight.

- Corrected final score about 6.5/10 (was 6.4) — between the 7.0 buy and 4.0 sell thresholds — a hold signal (scorecard_FISV).
- Value-without-bull about $53.0 vs the $45.63 price is about 16% margin of safety, short of our about 30% add bar; buy-below about $32, trim-above about $72.
- Current weight 2.75% (CAD 34,209, #7 of 9), target 2.75% — no change to concentration or the asset-class mix.

Monitoring and selling

A monitored hold: the maintenance-capex correction changes the numbers but not the monitoring plan — watch the reset and the leverage, sell on the triggers, not on the price.

- Signal HOLD: corrected final score about 6.5/10 (was 6.4); buy threshold 7.0, sell 4.0.
- Price $45.63 sits between buy-below about $32 and trim-above about $72; value-without-bull about $52 (about 1.14×) — no margin of safety to add, no trigger to sell.
- Monitor quarterly: FY2026 owner margin (is the H1 trough confirmed and recovering?), Financial (core-banking) segment revenue, net leverage vs the 3.75× covenant, the Clover securities litigation / SEC inquiries, and merchant acquiring share vs Stripe/Square/Toast/Adyen.

The decision

HOLD

The decision: hold. Buy below $32.00. Trim above $72.00.

Target weight 2.8 percent of the portfolio.

The decision (continued)

HOLD

What would change our mind: Q3/Q4 2026 margins still falling with no stabilization, disclosed core-banking client losses, an adverse litigation finding, or a downgrade below BBB-/Baa3 would push toward the bear/worst cases and a sell; a confirmed margin trough with returning organic growth and less M&A reliance would support an add below about $32.