Twitter Thread by John Street Capital



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0/ We've highlighted FinTech infrastructure co's like BR, FIS, JKHY, MA, V, ICE, NDAQ, etc. as companies w/ a variety of moats that have led to dominant mkt share & outperformance despite being 50+ years old on avg.

$FISV had their investor day yesterday and laid out the why.

Incumbent Financial Service Infrastructure Providers

Name	Ticker	Year Founded	Price	Market Cap ($mn)	Revenue		EBITDA		Net Income		Performance	
					2020E	2021E	2020E	2021E	2020E	2021E	3 Year %	5 Year %
Asset Management												
Broadridge	BR	1962	$149.19	$17,270	$4,360	$4,745	$913	$993	$482	$640	73.7%	185.9%
SS&C	SSNC	1986	$65.84	$16,672	$4,630	$4,770	$1,690	$1,880	$439	$465	65.4%	90.7%
Banking / Payments												
Finastra	-	1970	-	-	$2,295	$2,364	$981	$1,080	$55	$63	-	-
FIS	FIS	1968	$143.14	$88,720	$12,520	$13,640	$5,350	$6,230	$298	$364	61.7%	127.0%
Fiserv	FISV	1984	$111.19	$74,570	$15,040	$16,020	$5,620	$6,280	$893	$1,072	72.8%	132.1%
Global Payments	GPN	1969	$198.24	$59,500	$6,760	$7,580	$3,030	$3,590	$431	$538	96.4%	185.7%
Jack Henry	JKHY	1976	$164.33	$12,540	$1,550	$1,790	$425	$572	$272	$288	49.5%	123.8%
Mastercard	MA	1966	$347.57	$346,470	$16,880	$18,690	$10,190	$11,350	$8,120	$9,744	136.0%	254.1%
Visa	V	1951	$215.65	$447,920	$22,980	$24,210	$15,740	$16,760	$12,080	$14,013	95.8%	183.7%
Custodians												
Bank of New York Mellon	BK	1784	$39.09	$34,660	$16,490	$16,902	$4,824	$4,894	$3,656	$3,701	-17.4%	-0.8%
State Street	STT	1792	$69.17	$2,310	$11,700	$12,010	$3,170	$3,325	$2,413	$2,513	-17.2%	6.8%
Clearing / Settlement												
The Depository Trust Company	-	1973	-	-	$1,892	$1,949	$349	$359	$318	$328	-	-
Data												
Bloomberg	-	1981	-	-	$10,500	$11,025	$3,619	$4,493	$2,701	$2,810	-	-
Factset	FDS	1978	$330.77	$12,270	$1,440	$1,564	$499	$625	$353	$375	75.0%	102.0%
Thomson Reuers	TRI	1851	$86.75	$41,630	$5,910	$6,205	$1,500	$1,947	$570	$939	111.8%	149.4%
Exchanges												
The Chicago Board Option Exchange	CBOE	1973	$87.49	$9,710	$2,500	$2,775	$783	$820	$375	$574	-20.0%	35.5%
CME Group	CME	1848	$163.58	$58,800	$4,860	$5,144	$3,130	$3,242	$2,120	$2,642	31.1%	106.7%
Intercontinentia Exchange	ICE	1792	$100.56	$55,150	$5,200	$5,805	$3,180	$3,443	$1,930	$2,470	58.5%	104.5%
Nasdaq	NDAQ	1971	$133.48	$21,890	$4,260	$4,729	$1,330	$1,395	$774	$962	94.3%	152.0%
Mortgages												
BlackKnight	BKI	1962	$87.30	$13,580	$1,180	$1,270	$578	$644	$109	$125	87.3%	-
	Median Age	**51.5 years**	**Total**	**$1,313,662**	**$152,947**	**$163,186**	**$66,900**	**$73,922**	**$38,387**	**$44,626**	**62.0%**	**121.2%**

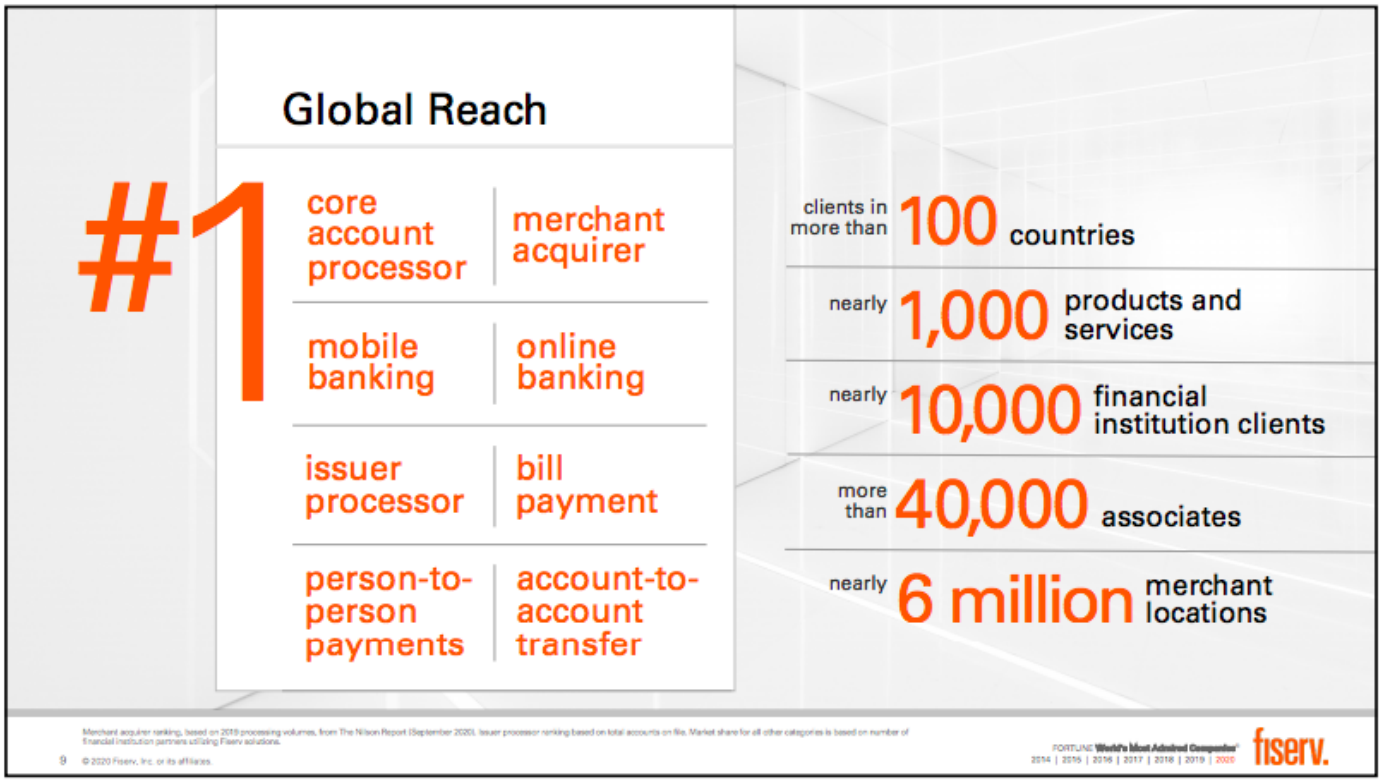
**Finastra, DTCC, and Bloomberg are all private companies. We use available reported informational coupled with estimates based on comparable co's*
***Data is as of 11/9/2020*
****S&P 500 3Year total returns 47.19% / 5-year 89.2% vs. NASDAQ 95.63% / 168.9%*

1/ $FISV highlights the fact that they have #1 market share in core accounting processing for $1-$50B FI's; they are doing $1.0B in global e-Commerce revenue, and have more than $30B available for capital allocation over the next 5 years (read more M&A for FinTech co's)

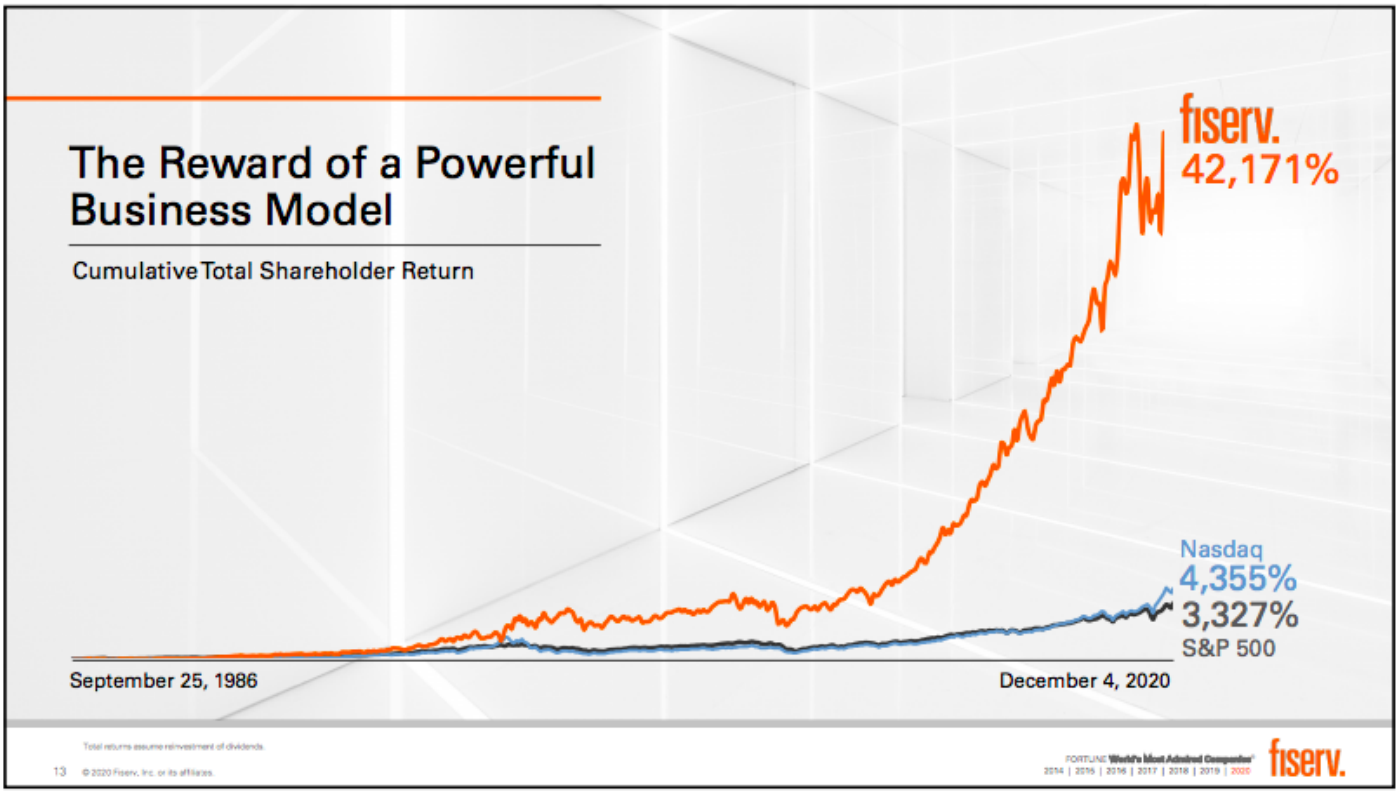


2/ They have global reach with clients in more than 100 countries, more than 1,000 products & services, 10,000+ FI clients, & 6M merchant locations.

All while being #1 as a core account processor, merchant acquirer, bill pay, P2P payments, etc...



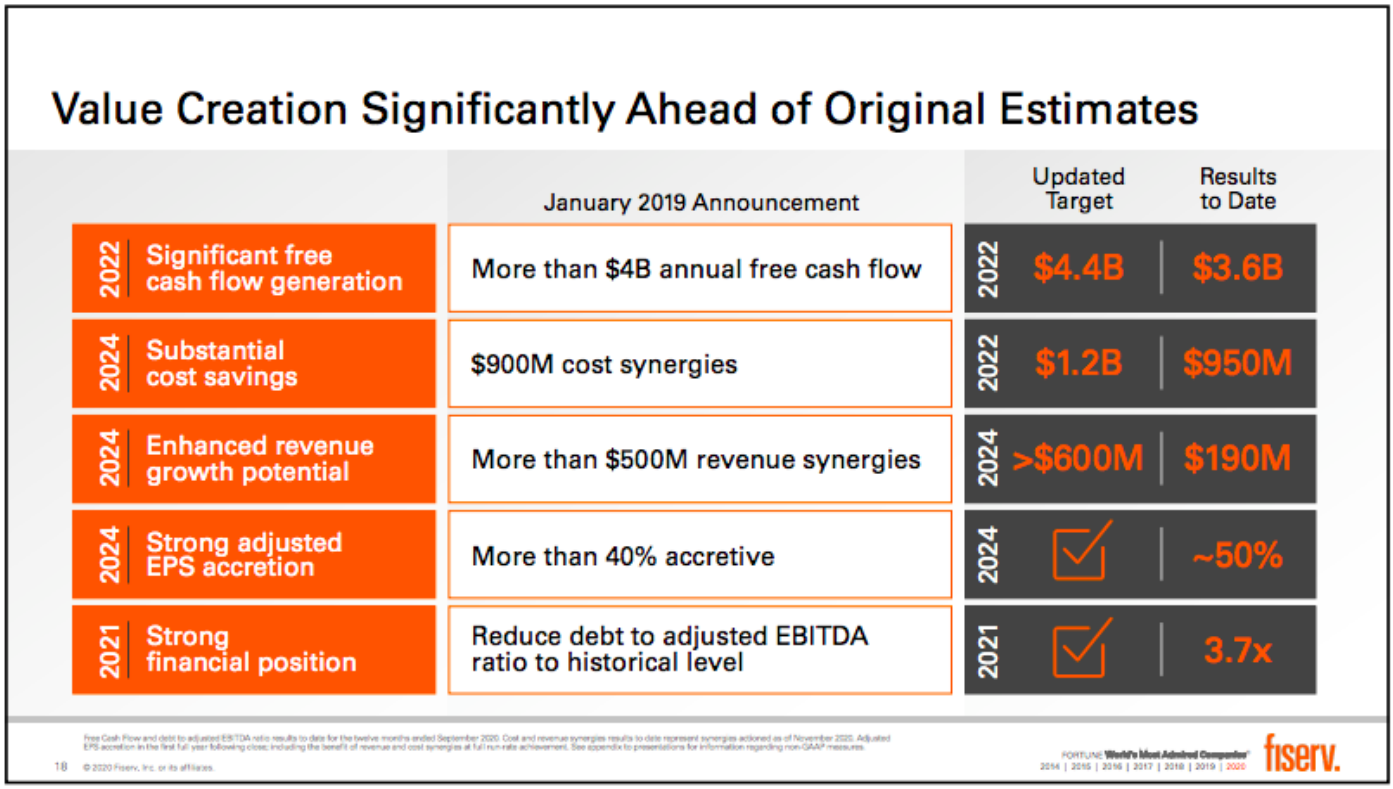
3/ This business model + market positioning has led to incredibly strong outperformance since inception ~35 years ago with cumulative $FISV shareholder returns of +42,171% vs. the $SPY at 3,327% & Nasdaq at 4,355%.



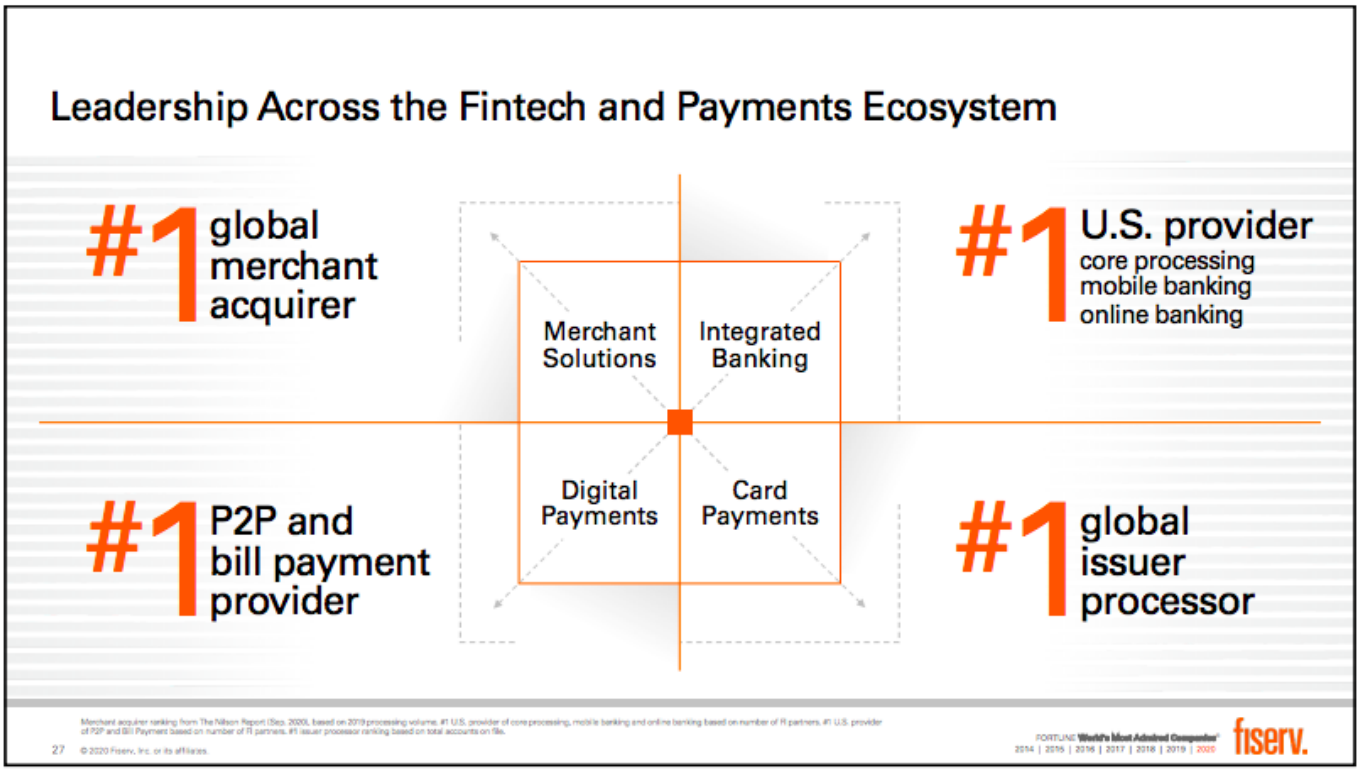
4/ $FISV has grown via a series of acquisitions over the past 30 years most recently the $22B tie up w/ First Data.

They highlight the progress on the deal & new goals post integration.

M&A is a skill & FISV has it financially; tech integration leaves something to be desired

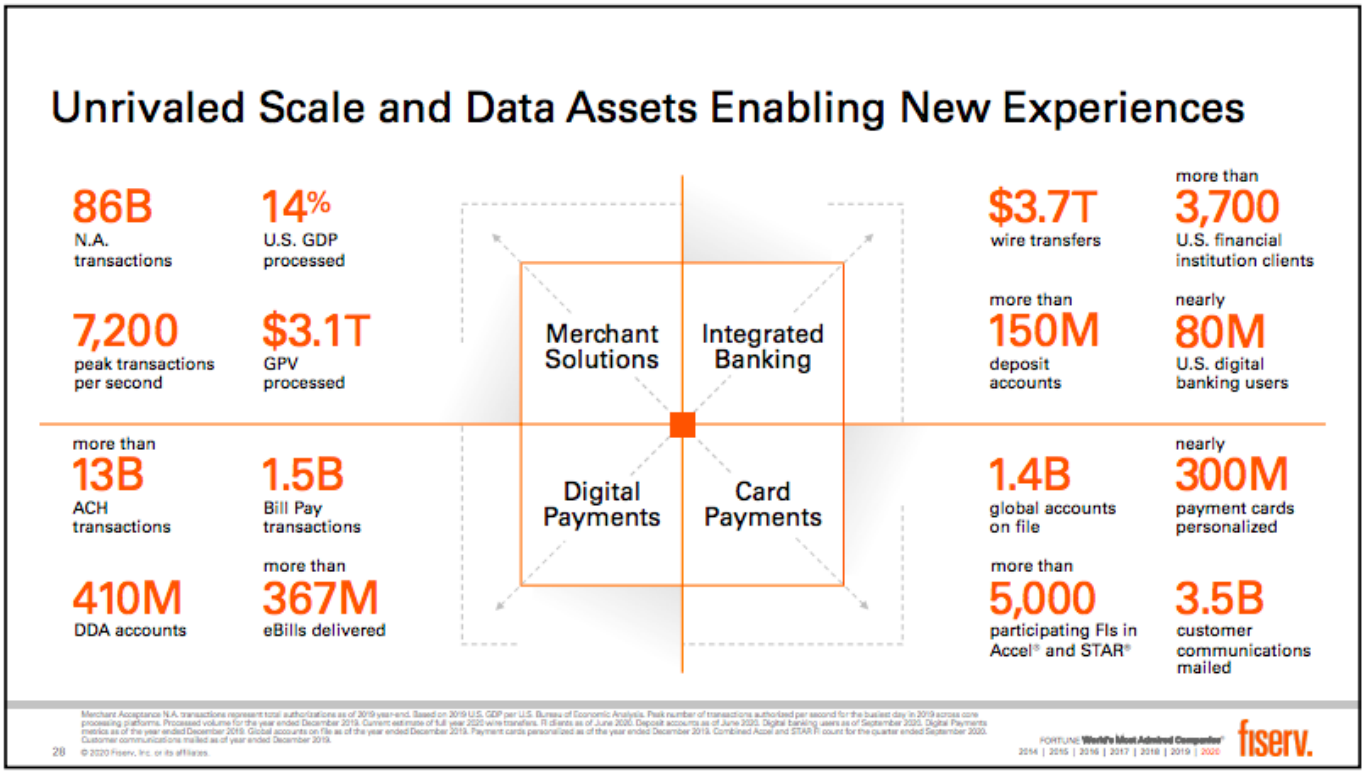


5/ They highlight 4 key pillars (all of which they claim #1 market share)
(i) Merchant Solutions
(ii) Integrated Banking
(iii) Digital Payments
(iv) Card Payments



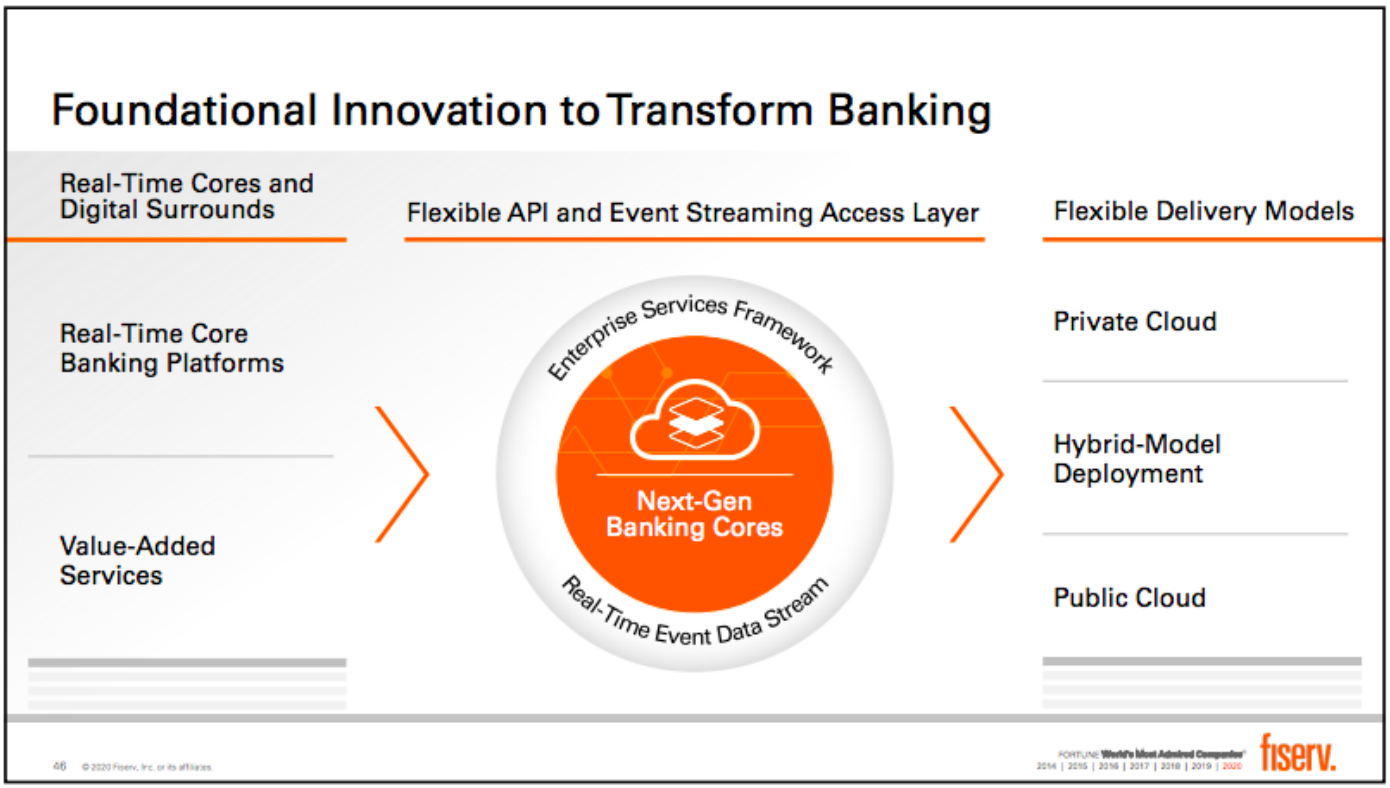
6/ Given the unparalleled size & scale they have unique access to data which should in theory inform new products / use-cases for their end clients.

They conduct more than 12,000 financial tx / second & reach nearly ~100% of US households



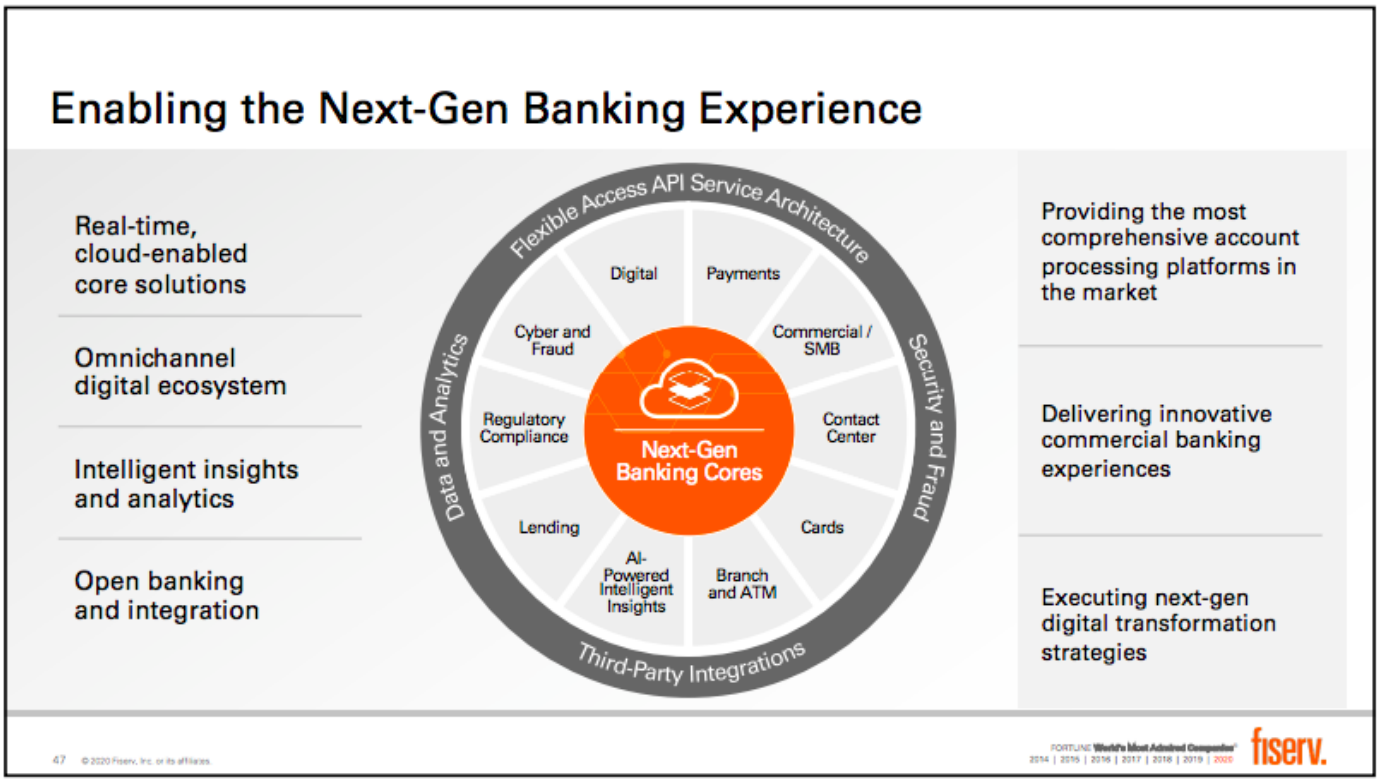
7/ In 2020 even the leader in FinTech infrastructure boasts about being "nearly all in the cloud" which shows how far the industry has to go.

8/ $FISV is very much focused on the future of banking / open banking which requires multi-industry distribution of financial services / products enabled by cloud & open APIs



9/ The Next-Gen Banking core requires:
(i) Flexible API Service Architecture
(ii) Security & Fraud Tools
(iii) Third Party Integrations
(iv) Data & Analytics

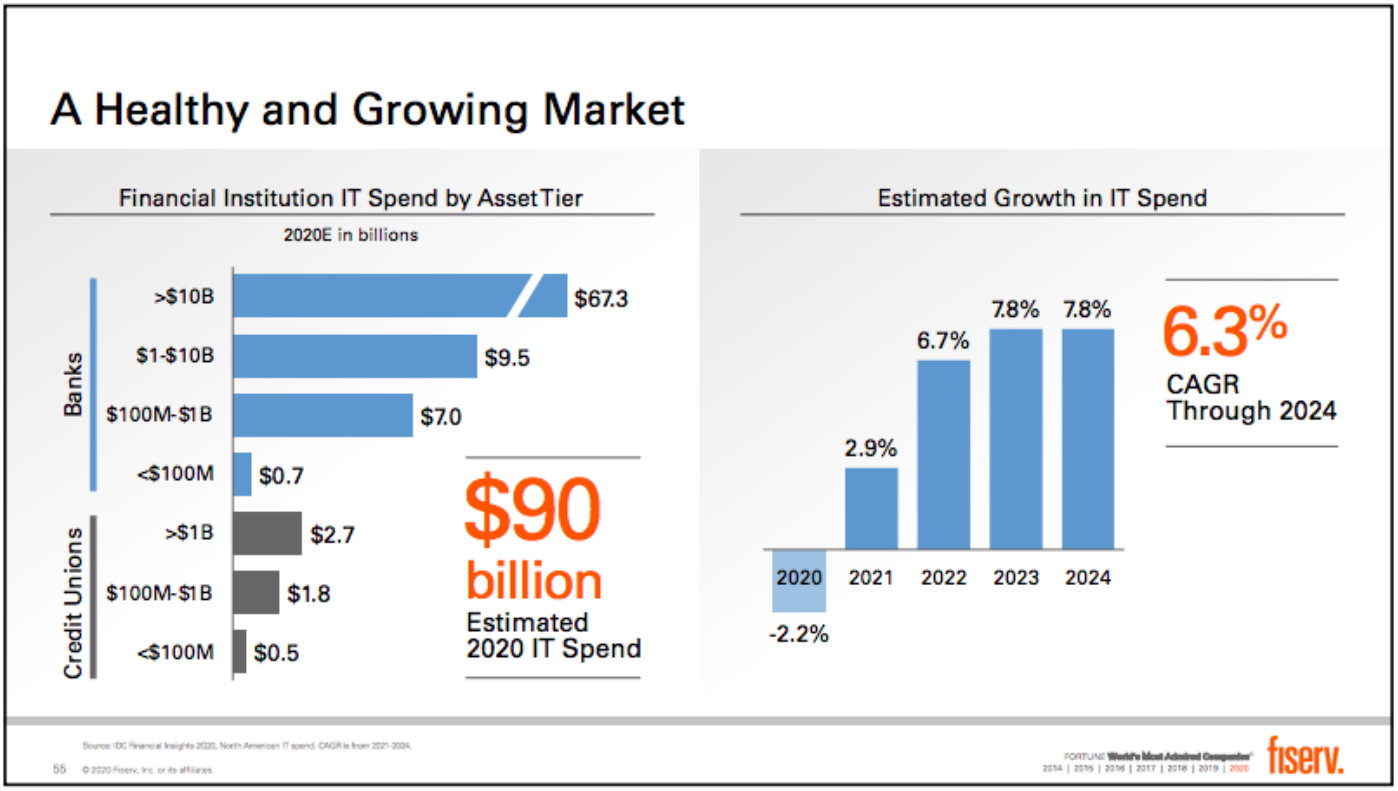
This is a slide I imagine a number of BaaS companies look to emulate in future decks.



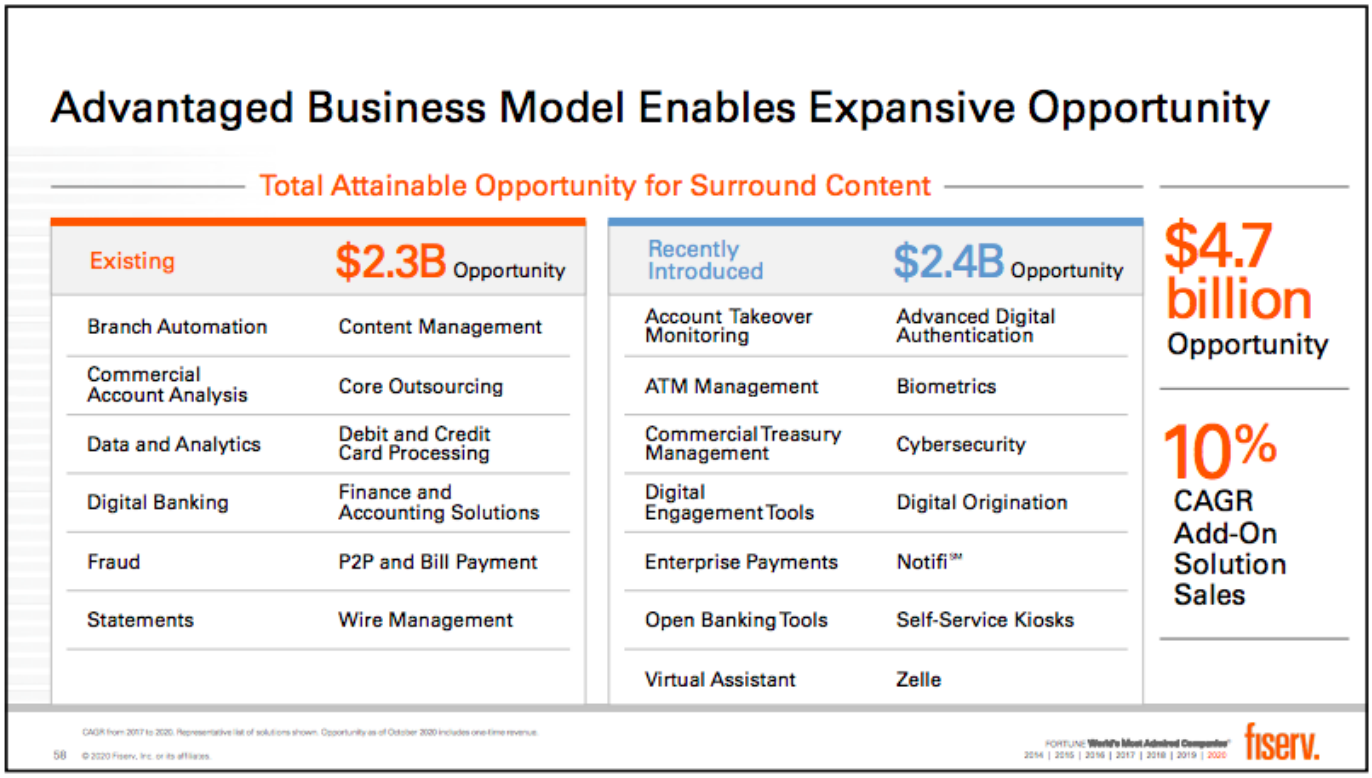
10/ $FISV also provided some healthy market share data.

They believe $90B was spent in '20 by Financial Institution on IT which is projected to grow at a 6.3% CAGR through '24.

For those that believe FinTech B2B infrastructure is saturated thats a portion of the pie

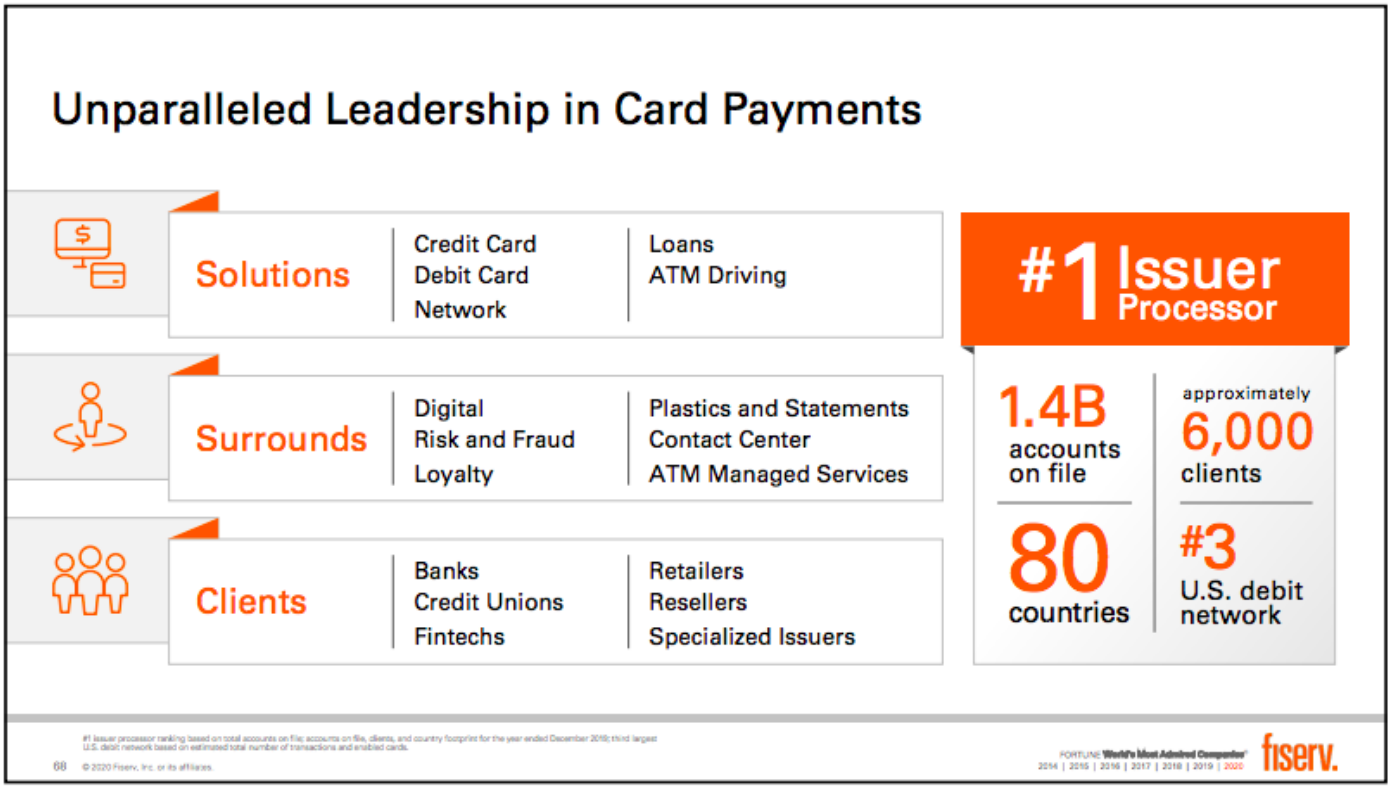


11/ $FISV has their own land & expand strategy and sees another $4.7B of opportunity for add-on solutions.



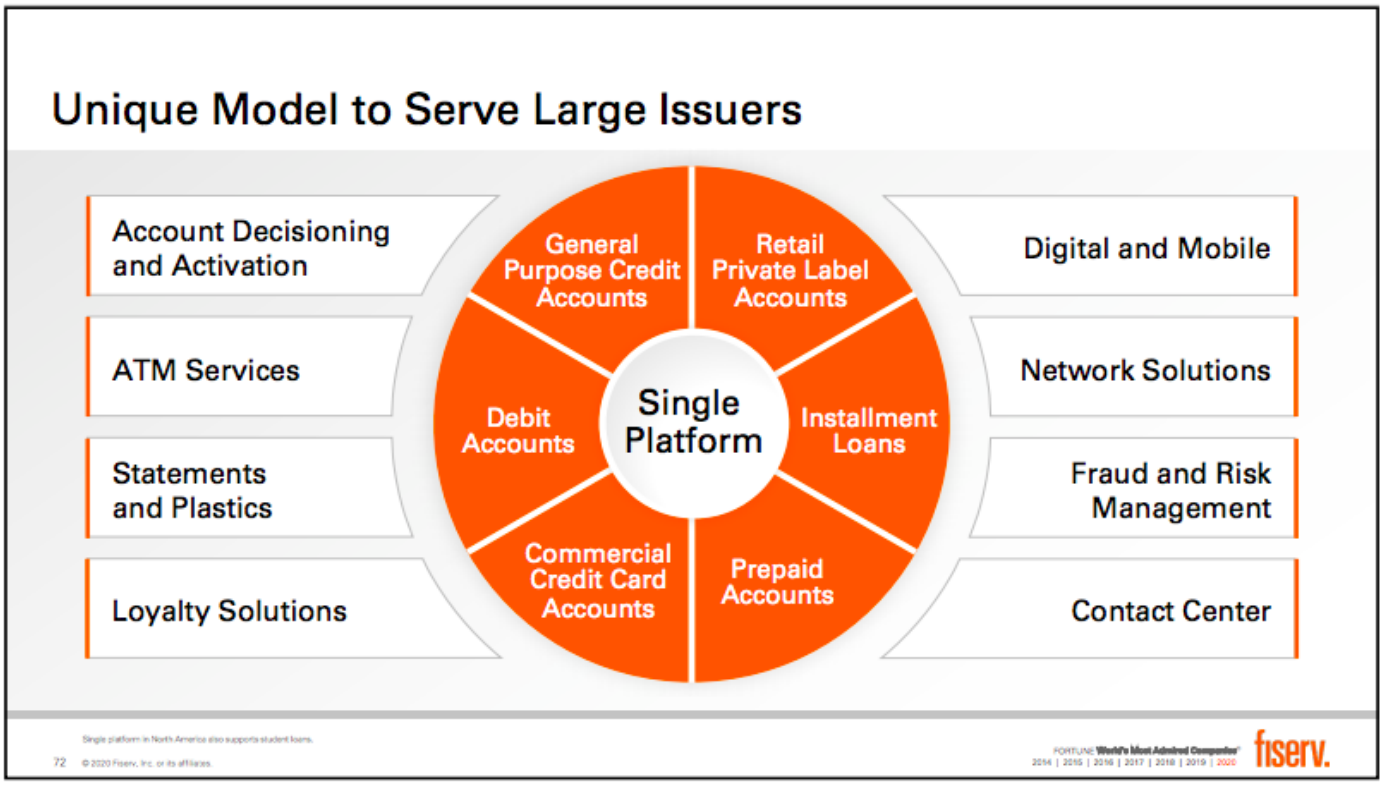
12/ $FISV is the #1 issuer processor with unparalleled leadership in card payments. They have 1.4B accounts on file across 6,000 clients, and 80 countries.

With talks of @Margeta going public next year this will be an interesting comp for this business line.

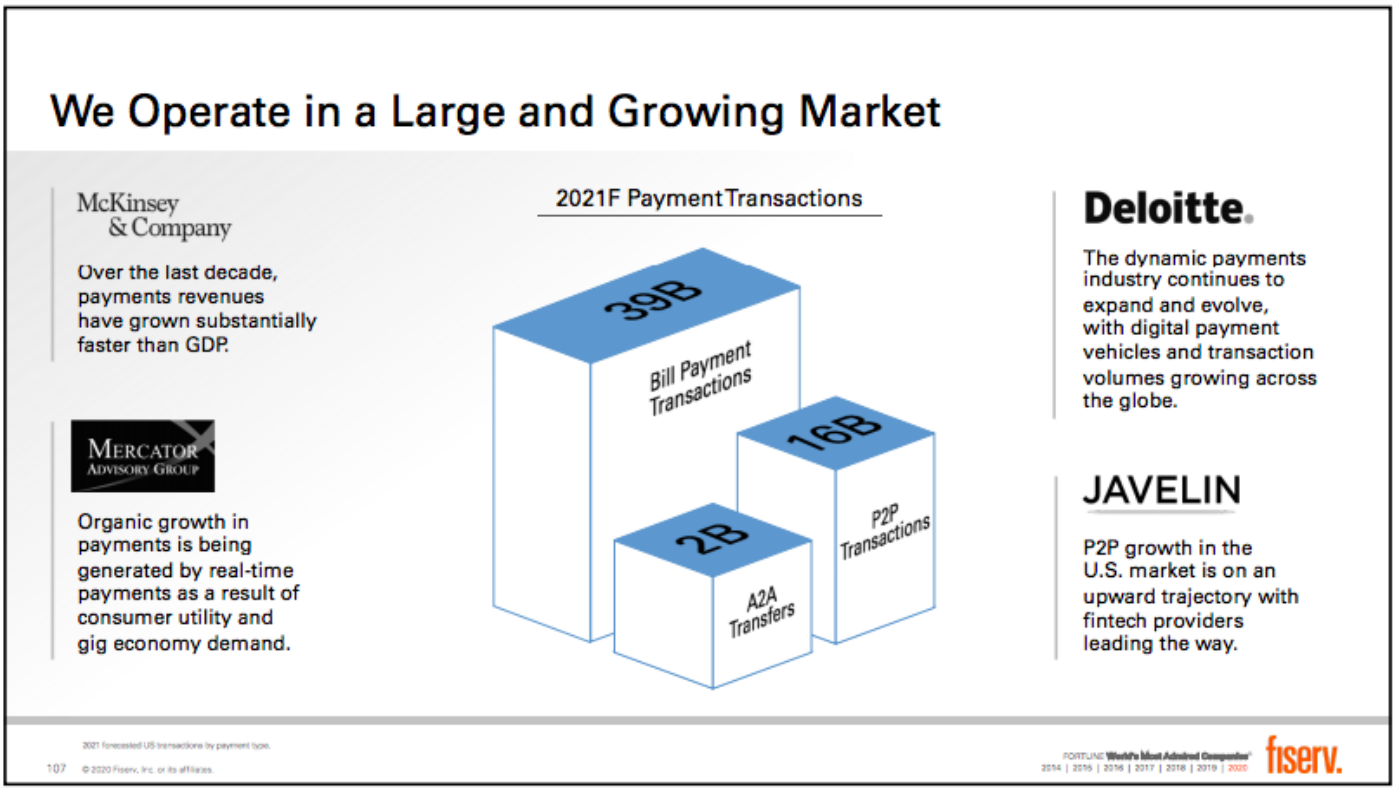


13/ They highlight their model is for large issuers w/ a single platform that delivers debit, commercial cc, prepaid, installment loans, private label, & general purpose accounts.

This is part of the oppty co's like Marqeta & Galileo saw $FISV won't entertain the startup.

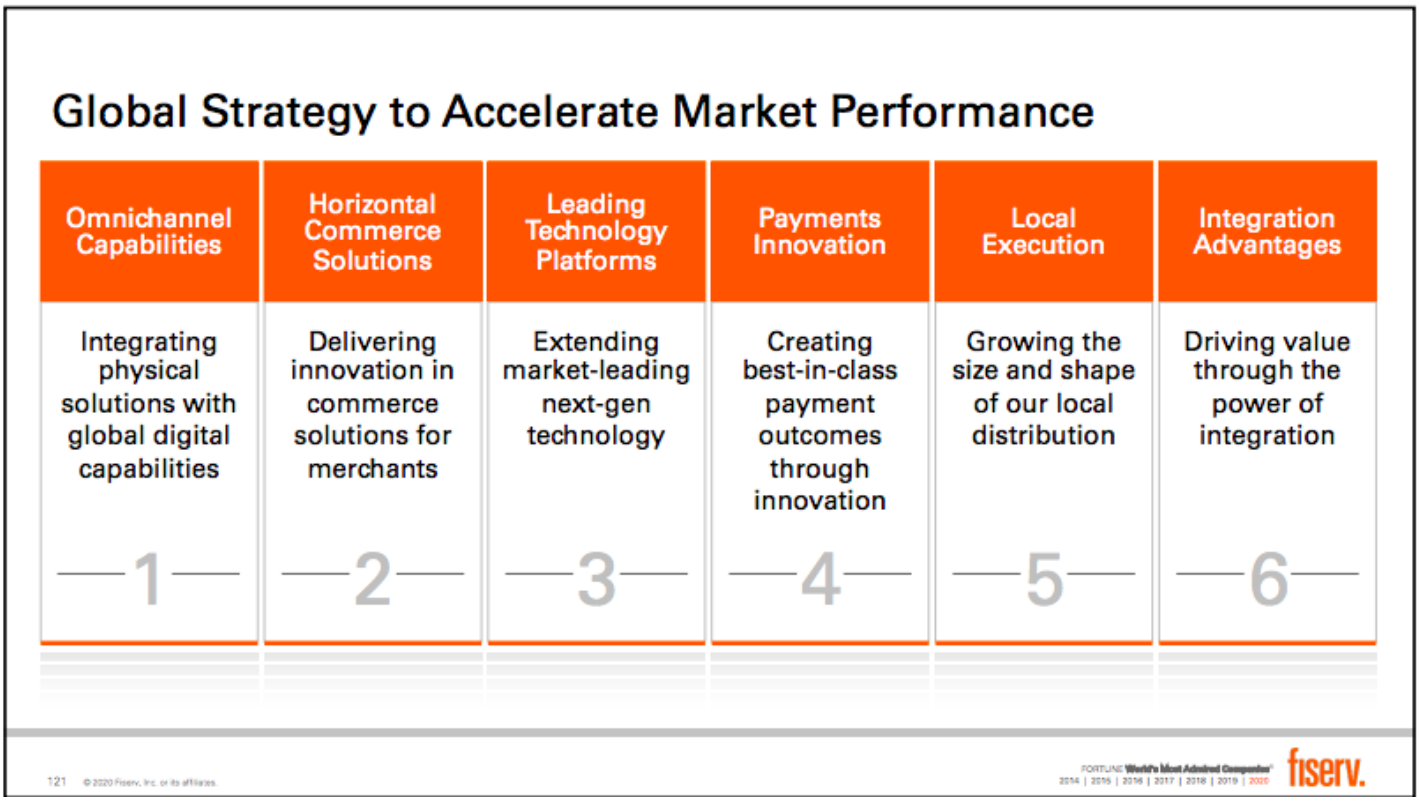


14/ On the payment side $FISV highlights the growth in payment revenue, RTP, Bill Payment, P2P transactions, and A2A transfers all as part of a large but ever growing mkt opportunity.



15/ $FISV pegs a $1.0B+ revenue opportunity for digital payments. Their NOW Network currently serves 7 of the top 10 U.S. financial institutions.

16/ $FISV's growth plans for payments are focused on:
(i) Omnichannel Capabilities
(ii) Horizontal Commerce Solutions
(iii) Leading Technology
(iv) Payments Innovation
(v) Local Execution
(vi) Integration Advantages



17/ Besides growth domestically there are significant opportunities ex-US in APAC, LatAm, India, and SE Asia, all areas where $FISV has a strong market presence & will continue to invest / buy given the growth pot'l.

18/ Like most companies in this market $FISV talks up their recurring revenue opportunity as subscriptions are eating the world (@pipe)

19/ $FISV expects to grow top line at 7-9% / year and EPS at 15-20% / year.

Yet it currently trades at ~22.5x EPS and 16.5x EV/EBITDA effectively market multiples.

Preliminary 2021 and Medium-Term Performance Outlook

Key Financial Metrics	Preliminary 2021	Medium-Term Outlook 2022-2023
Internal Revenue Growth	7-12%	7-9%
Adjusted EPS Growth	20-25%	15-20%
Other Financial Metrics		
Adjusted Operating Margin Expansion	>250 bps	>125 bps
Free Cash Flow Conversion	>108%	>105%

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

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