



# Deal Logic

## First Data Corp / Fiserv Inc

WHU Finance Society

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## Abstract

**Fiserv (NASDAQ: FISV) and First Data Corporation (NYSE: FDC) co-announced on Jan 16<sup>th</sup> an unanimous merger agreement under which Fiserv would acquire First Data in a pure-stock transaction. The merger would combine two well-established Fintech companies into one giant.**

**For each share of First Data, a fixed exchange ratio of 0.303 Fiserv shares is agreed, for a total equity value of USD 22bn. After the close of the transaction, Fiserv shareholders will own 57.5% of the new combined company, and First Data shareholders will own 42.5% on a fully diluted basis. The pure stock transaction is intended to be tax-free to First Data shareholders. The transaction is slated to close in the second half of the year, subject to shareholder and regulatory approval.**

FinTech has been a popular industry in recent years. When two premier companies in the arena announced to merge into one, the impact will be enormous and the arena will transform some industries.

The two leading companies believe the combination will enable them to offer a range of payments and financial services, including account processing and digital banking solutions, card issuer and network, e-commerce, integrated payments, and the Clover™ cloud-based point-of-sale solution. Moreover, the combined company will provide overall distribution channels and strategically partner with financial institutions.

In corporate strategy, FISV's mission is to be a global leader in transaction-based and integration-oriented technology solutions providers. Accordingly, it focuses on enhancing the value of its client relationships, pursues strategic or scale purposes, and seeks to become an innovation leader in its markets. From 1984 to 2014, it had been an expert in acquiring businesses, with as many as 141 purchases in total. Acquisitions are a key growth strategy but have meant less since Jeff Yabuki became CEO in 2005, whose strategy of focusing on cross-selling and organic investment has worked favorably for financial stability and the company's risk profile.

The horizontal merger will generate operational synergies due to complimentary business. For strategic benefits, the new combined company is expected to have:

- Differentiated financial services platforms
- Enhanced payment capabilities
- Highly complementary products and distribution channels
- Investment to enrich future value proposition

Besides, there are financial synergies that will be more observable. Expected reason for added value included:

- Enhanced revenue growth potential
- Strong adjusted EPS
- Significant cash flow generation
- Substantial cost savings

One advantage brought with horizontal merger is about company cultural merger, or say post-merger issues. Since the two companies have been top in the same industry over years, there could be less cognitive frictions and fewer business misunderstandings. In the sense of governance and leadership, the board of the combined company will consist of 10 members, six of whom will be from Fiserv's side and four of whom will be appointed by First Data. Upon closing, Jeffery Yabuki, current Fiserv President and CEO, will serve as the CEO and chair of board. First Data's CEO, Frank Bisignano, will be the new COO. Further, New Omaha Holdings will own approximately 16% of the combined company via an ownership of 39% shares and 86% voting rights in First Data.

Just following the announcement, First Data stocks rose 17.1% to USD 20.55 in early trading, while Fiserv fell 5.4% to USD 71. The deal is scheduled to be closed in the second half of 2019, both companies expect the new combined company's adjusted EPS to increase by at least 20%.

So far, this is deal has been the largest merger transaction this year and the consolidation in FinTech foreshadows that a revolution in traditional banking industry might be coming closer.

All values in USDm, except Price, Initial (USD) & Price, Paid (USD)

## Summary

Target	First Data Corp
Acquirer	Fiserv Inc
Date, Announ.	16.01.19
Date, Effective	Pending
Deal Attitude	Friendly
Consideration	Divestiture Stock Swap
%Held/%Acq.	- / 100.0
Deal Value	21,656.5
Price, Initial	22.737
Price, Paid	22.737
Total Fees	82.2
Premium*, 1d	29.6
Premium*, 1w	28.1
Premium*, 4w	39.5

\* Pre-bid (%)

Sources: Thomson Reuters Eikon

## Synopsis

- Fiserv Inc agreed to merge with First Data Corp, a New York based provider of electronic payment processing services, owned by KKR & Co LLP, and other shareholders.
- The stock swap transaction is valued at USD 21.7bn.
- Fiserv's shares were valued based on its closing stock price of USD 75 on January 15th 2019, while the closing price of each First Data Corp share was USD 22.7.
- Upon completion, Fiserv and First Data shareholders were to own 57.5% and 42.5% interest in the merged entity, respectively.

## LTM Transaction Multiples

	Target	Acquirer	Industry†
<b>EV/Sales</b>	5.0x	6.6x	1.7x
<b>EV/EBITDA</b>	13.9x	17.4x	7.5x
<b>P/E</b>	17.6x	26.9x	7.2x

† Of Target. NAICS codes 511210, 518210, 522291, 522320, 523930, and 541511

## Rationale

- The purposes of the transaction were for Fiserv Inc and First Data Corp to increase their shareholders value, expand their footprint and their solutions to their clients.
- As a result of the acquisition, synergies before taxes are expected to be USD 900m in five years, and accretive in the first full year.

## Financial Advisors

Target	Fees	Acquirer	Fees
BAML	38.7	JP Morgan	38.7
Evercore Partners	38.7		

All values in USDbn, except EPS

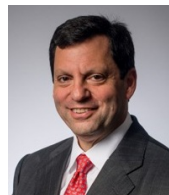
### Recent News\*

- **2019/03** First Data's Prepaid Consumer Insights Study highlights value of gift cards as "Branded Currency" in the U.K.
- **2019/02** First Data and Girl Scouts of Greater Atlanta develop Pilot Program for mobile payments through a partnership with Clover - First Data's cloud-based mobile payment platform.
- **2019/02** First Data reports fourth quarter and full year 2018 financial results and provides full year 2019 guidance
- **2019/01** Fiserv announces to be combined with First Data corp. to create the global leader in payments and fintech

### Company Description

- First Data (NYSE: FDC) is a global leader in commerce-enabling technology, serving approximately 6m business locations and 4,000 financial institutions in more than 100 countries around the world.
- Employees of 22,000 owner-associates
- It deals with a wide range of companies from start-ups to the world-class large companies, in conducting commerce every day by securing and processing more than 3,000 transactions per second or USD 2.4tn per year.

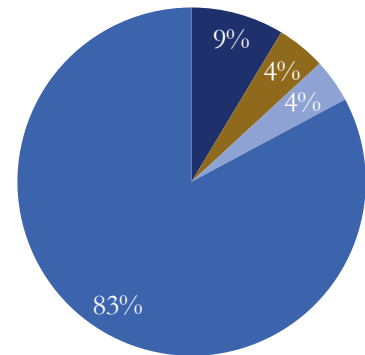
### Key Management & Ownership Structure



Frank Bisignano  
CEO  
Since 2013



Himanshu Patel  
CFO  
Since 2015



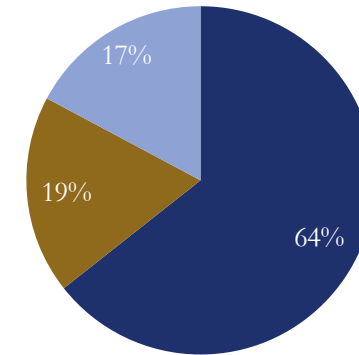
■ Vanguard ■ Glenview Cap.  
■ Fidelity Mgt. ■ Freefloat

### Key Financials

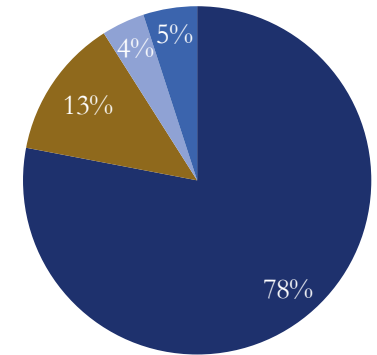
	2016A	2017A	2018A	2019F	2020F
Sales	7.1	7.4	8.7	8.9	9.5
% growth	1.3	4.0	16.8	3.0	6.1
EBITDA	2.9	3.1	3.3	3.4	3.7
% margin	40.5	41.4	37.8	38.5	38.9
Net Inc.	1.2	1.4	1.4	1.5	1.8
% margin	17.1	19.2	15.6	17.0	18.5
EPS	1.32	1.52	1.41	1.58	1.81

### Sales Split

FY2018



■ Global Business Solutions (GBS)  
■ Global Financial Solutions (GFS)  
■ Network & Security Solutions (NSS)



■ North America ■ EMEA  
■ APAC ■ LATAM

\* Prior To Deal  
Sources: First Data

All values in USDbn, except EPS

## Recent News\*

- **2019/03** HealthCare First Credit Union and Portland Local 8 Federal Credit Union turn to Fiserv as core processing providers
- **2019/03** President Kim Crawford Goodman named one of the most powerful women in Corporate America
- **2019/02** Fiserv joins Financial Data Exchange as a board member
- **2019/02** New York Community Bancorp, Inc. enhances digital and payment capabilities in move to Fiserv
- **2019/01** Fast-growing Banco CTI combats money laundering with scalable solution from Fiserv
- **2019/01** IDC MarketScape recognizes Fiserv as a leader in worldwide KYC technology
- **2019/01** Fiserv recognized among Fortune World's Most Admired Companies for 6<sup>th</sup> consecutive year

\* Prior To Deal  
Sources: Fiserv.

## Company Description

- Fiserv, Inc. (NASDAQ:FISV) is a leading provider of financial technology solutions including transaction processing, bill payment, item processing, check imaging, and related software.
- It primarily serves mid-sized and small banks in the U.S., a market that has been consolidating due to financial, regulatory, and market pressures. Its top 50 financial institution clients represented less than 25% of 2017 revenues.
- The Financial segment provides solutions for financial institutions, by including banks, credit unions, leasing and finance companies, and savings institutions.
- Many offerings are sold together to clients, and include core, payment, lending and item processing.

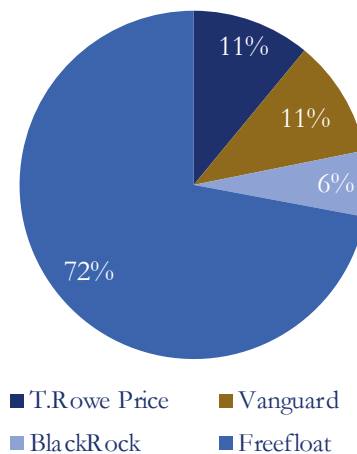
## Key Management & Ownership Structure



Jeffery W. Yabuki  
CEO  
Since 2005



Robert Hau  
CFO  
Since 2016

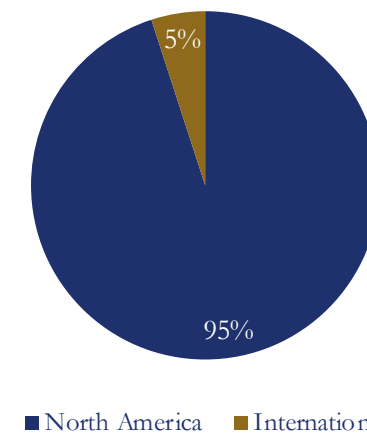
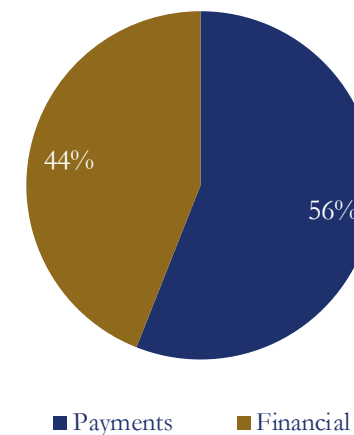


## Key Financials

	2016A	2017A	2018E	2019F	2020F
Sales	5.5	5.7	5.8	6.2	6.5
% growth	4.8	3.5	2.2	5.9	5.0
EBITDA	1.9	2.1	2.2	2.4	2.5
% margin	35.0	36.0	37.7	38.7	39.1
Net Inc.	1.0	1.1	1.3	1.4	1.5
% margin	18.0	19.4	22.0	22.5	23.4
EPS	2.22	2.56	3.10	3.46	3.86

## Sales Split

FY2018



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