



Company Overview:

Fidelity National Information Services, Inc. engages in the business of technology, solutions and services for merchants, banks and capital markets businesses.

1. **Banking Solutions** – This segment generates revenue by serving regional and community banks across North America by providing core processing, digital and mobile banking, fraud and risk management, and item processing.
2. **Merchants Solutions** – This segment is a payment service provider (PSP) that offers shops online services for accepting electronic payments. The goal is to provide traditional point-of-sale payment processing for merchants of all sizes with a focus on large multi-national enterprises.
3. **Capital Market Solutions** – This segment is focused on serving global financial services clients with a broad array of buy- and sell-side solutions.

Name	Ticker	D + G	Compounder Score
Fidelity National Information Services, Inc.	FIS	12.61%	4

Last Twelve Months Highlights:

The company pre-released their Q1 2020 earnings. Specifically, FIS announced that adj. EPS would be \$1.26-\$1.28 (vs. street estimates of \$1.29) and organic revenue growth would be 1-2% (vs. street expectations of 3%). More importantly, the implied exit rates are worse than expected, as consolidated revenue likely exited the quarter down 12%, weighed down by a softer Merchant Solutions segment (~35% of revenue). Although results are certainly weaker than expected, we still believe FIS is the best house in the neighborhood and feel incrementally worse about the high-quality group, as those exposed to merchant acquiring (SQ, FISV) and spending trends in general (V, MA, PYPL) are likely worse off than FIS.

Bull Case:

- **It's All About the Worldpay Acquisition** – We believe the success of the FIS will hinge on the transformative Worldpay acquisition. If management successfully integrates the business and delivers on its initial synergy expectations, we struggle to see what would keep the stock from outperforming. The significant FCF generation and relatively limited use of the balance sheet should enable the company to de-lever quickly and pursue further M&A and/or buybacks.
- **Cheap Valuation → Multiple Re-Rating** – We believe the combination of core processing and back-office software for financial institutions and merchant acquiring gives FIS a diversified set of revenue streams that immediately raises FIS' revenue growth profile and de-risks the faster growing but more macro sensitive Worldpay. FIS currently trades at a discount to peers, which we expect to narrow given the improving quality of the business and faster earnings growth.
- **Superior Competitive Positioning with Best-in-Class Suite of Payments Solutions Should Modestly Accelerate Revenue Growth** - We believe the core FIS processing business can deepen its relationships with existing bank clients, positioning it for new client wins globally. We believe this is enabled by cross-selling Worldpay's payment processing capabilities - particularly in e-commerce, fraud/risk, and B2B payments.

Bear Case:

- **Integration / Execution Risk of World Pay** - While both legacy FIS and WP management teams have a solid track record of integration and executing on large acquisitions, this combination is by far the largest and bring a significant challenge, especially given the Vantiv/Worldpay deal closed just last year.
- **Economic Slowdown** - The majority of Worldpay's revenue is tied to the health of small and mid-size businesses (SMBs), and volumes would begin to decline and merchant attrition rates would likely begin to climb in an economic slowdown or recession - significantly impacting the overall revenue growth.
- **Slower Growth Profile for Legacy FIS** - We expect the organic growth rate for legacy FIS to remain in the low-single digits as its client base faces regulatory headwinds and continues to consolidate (~4% per year) as well as modest market share losses at the lower end of the market. While we believe that FIS likely has the most comprehensive, customizable solutions for large financial institutions, that market is only so big and outside of low-single digit market growth, share gains and losses come slowly.

Overall Thesis:

Simply put, we believe Wall Street under appreciates the strategic value of the Worldpay acquisition. The deal structurally changes the growth profile of the company essentially overnight, plus enhancing the margin profile as well. In terms of just the merchant acquiring, relative to high-quality peers, the asset is more integrated with e-commerce and defensive business such as grocery stores. Couple this with FIS's legacy business, the combined asset is more defensive now going into a downturn, which was very apparent during Q1 2020. In short, we believe the Worldpay deal makes a lot of sense and we expect the stock to re-rate higher once investors begin to fully appreciate this transformative combination.

For Advisor use only.



Past performance is not indicative of future results. Investing involves risk including the potential loss of principal. This material is not financial advice or an offer to sell any product. The actual characteristics with respect to any particular client account will vary based on a number of factors including but not limited to: (i) the size of the account; (ii) investment restrictions applicable to the account, if any; and (iii) market exigencies at the time of investment. Aptus Capital Advisors, Inc. reserves the right to modify its current investment strategies and techniques based on changing market dynamics or client needs. Forward looking statements cannot be guaranteed. This is not a recommendation to buy or sell a particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed may not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions, holdings or sectors discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. Information was obtained from third party sources which we believe to be reliable but are not guaranteed as to their accuracy or completeness.

Advisory services offered through Aptus Capital Advisors, LLC, a Registered Investment Adviser registered with the Securities and Exchange Commission. Registration does not imply a certain level or skill or training. More information about the advisor, its investment strategies and objectives, is included in the firm's Form ADV Part 2, which can be obtained, at no charge, by calling (251) 517-7198. Aptus Capital Advisors, LLC is headquartered in Fairhope, Alabama. ACA-20-107.

For Advisor use only.