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<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

There we go. Excellent. All right. Wonderful. Well, thank you, everyone, online and in-person that have hung in there. We're saving the best for last today, of course. Delighted to be joined this afternoon by Gary Norcross, the Chairman and CEO of FIS; as well as Erik Hoag, the Deputy CFO of FIS, who is clearly here to answer the hard questions that Gary doesn't want to answer.

<<Gary Norcross, Chairman and Chief Executive Officer>>

Exactly.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

Well, terrific. Thank you. Welcome. Glad it only took us four summits to get you guys here. No, I'm just kidding. Excellent. All right. First, before we dive in, housekeeping item, as always, questions, guys. I have my little nifty dashboard up on my phone. If you want to submit questions, I will refresh it periodically. I promise I'm looking at the dashboard, not my Instagram or something. And if anyone in the room feel free to send them up to the front the old-fashioned way via air and you'd like to do that.

So why don't we jump in, Gary? Any opening comments or anything before we dive into questions.

<<Gary Norcross, Chairman and Chief Executive Officer>>

Yes, look, I just want to tell everybody, good afternoon. I hope everybody's had a great day. It sounds like we're batting cleanup. So that's great. Lisa, thank you for having us. I'm sure we're going to get into a lot of details on the quarter, but I'd start by saying our strategy is working. When you look, we're one of the first scale – probably the single-scale FinTech player that have invested heavily in technology. We started moving to the cloud back in the 2015. We're now 83% in the cloud. We've invested heavily in our technology. And we're seeing that pay off through our global expansion in eCommerce and Merchant to what we're doing in Modern Banking Platform, in the Banking business and all the modernization we’re doing in Capital Markets.

So we think we're in an extremely strong position. And I think everybody should expect us to continue to generate strong growth for years to come. So we're thrilled to be here.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Well, so just to maybe set the stage a little bit, Gary, you have been with FIS now for more than 30 years. Clearly, you started as a nine-year-old or something, apparently. But let's focus specifically on the last seven, which is the time since you were named CEO back in 2015. What are the top three or four ways in which FIS and maybe the financial technology landscape more broadly has changed over that seven years of your tenure as CEO?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Well, look, I think we – in hindsight, it looks like we had good anticipation. I mean, as I started thinking about going into the CEO role, there was clearly, Lisa, some technology changes going on. We have this brand-new computing capability called cloud computing. It was clear most of the software was written in very old legacy approaches, legacy languages, outdated databases. The world was going to be pushing more into digital in much more experiential way. And so we took that opportunity when I became CEO to really pivot the company. We ratcheted up our capital expenditures from 3% to 4% of revenue. We peaked as high as 11% of our revenue, really start building out these new capabilities because we believe that the market would move more to self-service. We really did believe the market would move more to true SaaS, right? Where you're deploying and consuming capabilities through a SaaS model.

And fortunately, for us, that's paid off. I mean we've seen the results of that in our sales engines. Our success, we've seen our Banking businesses growth rates more than doubled. Capital Markets has gone from a negative growth engine to now it's moving towards upper single digits. And you've even seen our Merchant business moved from a historical 7%, 8% organic growth to now greater than 10%.

But there continues to be that push towards more modern architectures, more self-service, more digitization. And so that's been the big shifts we've seen.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

And looking forward now over the next three to five years, how are you envisioning FIS continuing to transform over the next few years, given what's going on in the broader landscape?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Well, I think the good news is we're just getting started. I think if you look at where the industry is evolving, so let's just go across any of our categories, let's start with Merchant. We're a leader in eCommerce. When we see where embedded payments is going, when we see new services that are being deployed in commerce, whether it's embedded finance or others, we think we're on the forefront of that technology. When you think about the need to being deploy issuer-type services into Merchants, we have more than 800 million cards that we're already processing on an issuing front.

When you look at banking, you not only see the transformation going on with financial institutions, what's really starting to get exciting is how now new customers, FinTechs were starting off of Banking services where they don't have a charter, right? But it opens up a whole TAM for us. We just had one of the largest payment providers in the industry that everybody knows very well. They just went live this weekend with our Modern Banking Platform. And we saw tremendous growth through their high-yield savings product.

Once again, no banking charter, not wanting to offer those kind of services. So it's really starting to open up now that we've made those investments into brand new markets. And we're seeing that in Capital Markets as well, where we were traditionally offering services into banking. We've now moved through RegTech into insurance, into private equity, into investment. And that's allowed us to accelerate growth.

So I think over the next decade, you're going to see this massive transformation occurs within financial technology, and we're in an excellent point to take advantage of that.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Well, let's dig in a bit here. Starting with your largest segment, Banking Solutions, 46% of revenues in 2021. As you highlighted upfront, your Modern Banking Platform, which is the cloud-based platform, has accelerated growth in this segment by more than double, like you said, from sort of low-single digit up to 7%, 8% now running. Can you describe the technology differentiation in this platform? What has been modernized? You mentioned the 83%. And what are the major technology initiatives you have underway there?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Yes, well look it almost started when you think about the regulatory change that occurred in Europe almost five or six years ago with open banking GDPR, that really led us to lean in, in on our first cloud-native application, which was our Code Connect platform, which really opened up micro services. And then that led into our PaymentsOne platform, which is the industry-leading cloud-native issuer solution end market for both credit, debit, prepaid, reloadable.

Then we moved into Digital One, right, which was a true third-generation digital experience, which was really driving a whole omnichannel experience across whatever channel that you wanted to plug into branch, mobile device, Internet any other channel you want, kiosks, car, et cetera, could all get plugged in. And now we're coming online with Modern Banking Platform.

And so as you think about that, that opens us up to a whole different world of growth, and we've seen that growth accelerate dramatically from low single digits to upper single digits as you described. But each and every one of those have contributed to that growth curve and allowed us to cross-sell and upsell, not only our existing clients, but take new market share.

Modern Banking Platform has definitely gotten a lot of attention. It's truly the first cloud-native retail core banking product end market. It's about as buzzword compliant as you can get, I like to tell people. There's really nothing you can bring up in a modern architecture framework that doesn't exist in MBP. You can build your own user experience. You can take various components of it. You can take our user experience. It's got all micro services as an underlayment to gain access to data, et cetera.

And we've now signed 19 customers. We started in a very large end of the market as, frankly, a lot of really large financial institutions have held on their technologies for a very long period of time. We've actually seen community banks and even some of the regional institutions leapfrog them, while – in older generation, but still leapfrog them to a much more modern architecture.

So it's doing exceptionally well. As I said, I just highlighted a FinTech that went live on this weekend. So we're continuing to grow in a very robust pipeline. But all of these capabilities that I just mentioned have really contributed to our record sales. We've had now, what, four or five years of just extremely strong sales, very consistent backlog growth of anywhere from 7% to 9% every quarter, which is a great indicator of what the Banking segment is going to do for the future, real strong pipeline. And we just couldn't be more bullish on what banking has going on at the moment.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

And talk about the sustainability of that elevated growth rate. IT spending amongst financial institutions tends to be kind of a GDP huger number. And so in order to grow in the high single digits, you are gaining share of wallet in some way or another. So what are you displacing largely? Is this still legacy in-house? Is this competitor? Where does that kind of conviction in the runway come from?

<<Gary Norcross, Chairman and Chief Executive Officer>>

It's really all of the above. I mean, honestly, we play in the larger end of the market. We do have – we're very proud of our community bank business, don't get me wrong and we compete there very effectively. But as you move up and get into larger and larger financial institutions, really, our competition there is more in-house-developed software. We're competing with the CIO, the CTO within the financial institution, their ability to build. So we continue to take share of very old legacy platforms, off competitors and off in-house build. What I would tell you is we still – we're seeing very strong demand. And it's interesting historically, banks have been slow to invest. But back to the point I made earlier, I almost think they've held on a little too long.

And now you're really seeing that demand starting to accelerate. We're seeing more and more RFIs, RFPs, proof of concepts. We're seeing customers wanting access to our sandbox to play with the newer technologies. And even as we come into a potential recession, where we saw our Banking business, it was flat from an organic standpoint. In the last recession, margins expanded 250 basis points. This time, I think, it's going to be different.

Financial institutions are well capitalized. They're very strong. So if we go into it, I think we're going to continue to see that demand because they're going to have to change out their solutions in order to compete.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

Now on that point, one question we often get in this segment is from investors, it's less about FIS' products and the competitiveness of those products, but more about the health of that underlying customer base, the health of the small and medium banks in the U.S. So can you talk about coming out of the pandemic, what is the health of that customer base look like? And also, what are some of your diversification initiatives to move beyond the U.S. small, medium-sized banks that's been your bread and butter?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Well, Our bread and butter, I would say, is medium and large. But your point is still well taken. I mean we just wrapped up our largest user conference. We had about 4,000 people in attendance. And I would tell you, the health of our financial institution customers are as strong as I've seen it. They're coming off through the global pandemic. The PPP program was a huge windfall for financial institutions. Their ability to deploy those loans drove a lot of revenue for them.

As the net interest margin continues to expand, their ability to grow the revenue streams did very well in rising rate markets. So I think unlike as people were looking at economic downturns in the past that was really caused by a financial institution collapse. I don't see that this time. I don't – I see our customers being very healthy. They're really trying to invest in large scale programs and that's growing in our demand.

Now your question about how do we expand the TAM into our non-U.S. markets is a great one. We just announced that we're moving MBP into Azure, and we're going to – now that's going to open up Australia, New Zealand, Thailand for us, which are very strong markets. But we've got a lot of opportunity on international growth.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

Yes, you were just commenting on, yes, the health of – you just came off your user conference, the health of the small banks or medium banks, I guess, medium and large banks coming off the pandemic.

<<Gary Norcross, Chairman and Chief Executive Officer>>

Yes. Look, so I think they're very healthy. PPP was a benefit. The net interest margin expansion is a benefit. I did also highlight this quarter, we announced moving Modern Banking Platform to Azure. That opens up new markets for us outside of the U.S. We'll lean into Australia, New Zealand and Thailand which were very large in retail banking today there. So I think there's a lot of future promise for the business. We feel really good about it.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

Terrific. And tech, can you bring back up the video on the screen. I think you have the holding slide still up. All right. There we go. All right. Perfect. Terrific. You commented briefly, I just wanted to get this last one in on this segment about going live with a major FinTech. This is another question we often get is like in that market, our FinTechs friends, partners, customers, are they competitive, if not directly, indirectly with FIS? Talk to us about that dynamic.

<<Gary Norcross, Chairman and Chief Executive Officer>>

We're finding them as friends. I mean we think it opens a whole new market for us. I mean, for years, people thought you needed a banking charter in order to offer Banking Services. Obviously, that's not true. We're seeing people embrace and offer capabilities in very different ways. Our solution set, our ability to launch out of our cloud, no one really can compete with us from a price competitive standpoint, a functionality standpoint, a modernization standpoint.

So we see it as a great advantage. We'll actually leverage some of our partners and deploy them through some of our channels as well. So we don't have to build everything ourselves, and that's gone very well. So we see FinTechs as a great opportunity. We consider ourselves a very large FinTech. So at the end of the day, it makes for a good partnership.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Let's switch over to Merchant Solutions. Maybe the more controversial piece of FIS right now and maybe more broadly across the industry. You – so Merchant Solutions for folks maybe less familiar, 32% of FIS' revenues in 2021. You've put out a medium term outlook for this segment of double-digit growth. As you highlighted, that is up a little bit, at least from where it was running pre-pandemic. So can you describe what gives you confidence in the double-digit growth outlook for Merchant Solutions?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Well, I think it's all the investments we made and everything that we're seeing. I mean you had a business that was really performing exceptionally well, pre-pandemic, at about 7% to 8% organic. We've leaned in. The clear differentiator for us is our global e-commerce business. Huge barriers to entry in that business. And so solution set very sticky. Customer retention, very high. We're also very strong in the enterprise market. Once again, slower growth for us as it is for everybody, but extremely sticky, very large barriers to entry. Our ability to cross-sell on that base has been very high. And then a third of our – or about 27% of our business is tied to SMB, which we go to indirect.

But even that has shown very strong recovery. So you've got our global e-commerce business, which is the fastest-growing TAM in Merchant. It's consistently growing greater than 20%. So it's becoming an ever larger part of the Merchant business. We've invested heavily in technology. We've got our new acquiring platform fully in market, and all of our historical back book converted onto that.

We've got our Access Worldpay in market. It's doing very well. And so you've got our largest, fastest-growing TAM growing greater than 20%. You've got our enterprise business growing very well in line with TAM or actually a little faster than TAM, and our SMB business performing well. So all of that gives us a lot of confidence that you got a 10%-plus grower that's going to accelerate from there. Our sales engine and our direct channels have been very strong. We've done very well in e-commerce even through the pandemic in sales as well as enterprise. There was a narrative there around share loss but I think people are seeing as certain third parties are coming out, even disclosing volume, we actually gained 200 basis points of share in the U.S.

Our e-com volume that left due to the pandemic, like travel and airlines, is coming right back at very high yield rates. And so I think people are starting to realize that this is a very competitive business in a very good market and will continue to grow very strongly.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

Right. A few follow-up questions on those subsegments that you highlighted. So let’s start with the global eCom business. Like you highlighted, this is the crown jewel of the Merchant Solutions business, but obviously, also a very competitive market where there is very high profile pure-play players in that space. So talk a little bit about the differentiation of the FIS platform in global eCom and maybe, in particular, subsegments or verticals where you play sort of demarcate yourself from some of those pure plays.

<<Gary Norcross, Chairman and Chief Executive Officer>>

Yes, I’d clarify one thing in your question. I think the biggest differentiation is that first word you used, which is the word global. There’s really only two global eCommerce players that – at scale. And there’s plenty of market for both of those players to not only exist and grow very substantially. I do think people don’t understand that verticals really do matter in this business.

There’s a lot of sophistication that only your scale and your ability to underwrite risk and allow you to grow in those verticals. And so it’s really the timing of those verticals and the position you’re in on those verticals, which is really going to dictate your volume growth. So a lot of people won't look at this volume narrative. We're so large in enterprise. For example, you come through the holiday season.

Naturally, our volume is going to come down because everybody – those enterprise customers will have less volume. eCom is very much the same way. Our ability to penetrate new countries, we've already launched seven new countries last year. We've got 13 new countries coming online between now and the end of 2023. Our ability in travel and airlines, really, we compete there not with other people that you think of, but we compete with typically local providers in that country.

Because once again, our ability to underwrite that risk and be able to drive their revenue outcomes, given our scale are much better. Our technology is better, but our ability to underwrite that risk and drive it at a lower cost for them is much better and therefore, we compete and we can take share. We do the same in streaming services. We do very well in streaming services. We had the foresight, and we were in crypto way before crypto became popular.

Now you've got four out of the five largest exchanges we run. So there's plenty of opportunity, but those verticals and that global reach is what really differentiates you in eCommerce. The ability to move money cross-border, the ability to drive that currency exposure and minimize that, all of those are very important attributes of running a large global eCommerce business.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. And then following up on the large enterprise business, core, core part of your business at FIS. You highlighted that, that business, while not as high growth, of course, as eCom is very sticky and obviously drives a tremendous amount of volume for you, very beneficial when you're a platform-based business. So talk a bit about what makes that business so sticky. This is probably one that maybe people would think might be at risk or – so what is it about the large enterprise space that keeps it very tightly tied to FIS?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Well, it's complex. I mean, at the end of the day, if you look, we have very, very low churn in that business because it's just all of the complexity. It's kind of like a large financial institution. So I'd give you an analogy. If you deal with very small community banks, you're not going to go talk to a Fifth Third. their level of solutions set they need, their level of downstream integrations are going to be much more exponential.

Same way when you look at the enterprise business, when you're looking at a very large brochure, you're looking at a very large pharma, you're dealing with a very large retailer, the level of complexity that you're going to have to integrate into their downstream systems, the level of flexibility you're going to need to drive to underwrite that, your ability to bring scale to improve their fraud rates, to reduce their fraud exposure.

Your ability, if they do go card-not-present to be able to drive a much higher authorization rate that others can't do because they don't have a scale, our ability to bring 800 million of our data from issuing cards to our reach in that large enterprise, those are going to be things that differentiates you and make it a very, very sticky business with really high moats to entry. And then frankly, while we're seeing low – very low churn in that business.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. And the last one, the SMB business primarily concentrated in the U.S., and this is the old Mercury business. And then also some presence domestically in the UK. Particularly in the U.S. market, we've seen a lot of growth in the integrated POS providers in this segment over the last couple of years. Now FIS has traditionally had a very strong ISV platform in this space. There's a little bit of a different model. So can you talk about how you – what your strategy is to compete given that you've opted, not to own a POS system, maybe that will change at some point, whether you opted not to own one. So how do you kind of participate or compete in this market?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Yes. I think, look, I think our ISV business continues to do very well. We saw a very strong rebound of that in quarter. I mean, as our partners continue to grow and we saw a strong return. So we'll continue to lean in on our partner channel. We've signed up a lot of partners during the pandemic. We'll continue to move it in that direction. We also have moved some of our partners to a PayFac. I mean we've seen a lot of growth out of our PayFac business. Do we take less revenue in those transactions? We do. But we also take less risk in those kind of transactions.

So you get paid for your exposure. But it's also a way for us to enable those partners to help drive their scale. We've also made a recent investment, which we're excited about. The area that we didn't do anything in SMB on was really card-not-present. And this is an area that we see as a real opportunity. How do we take our world-class global eCommerce capability, but how do we simplify it down in a way that allows people to consume it on a self-serve basis?

And that's where Payrix comes in. There were a number of competitors that offer this service. They used all of us on the back end. So it made underwriting pretty – due diligence pretty easy on this one. But we could really tell that Payrix is making a real difference in the kind of share they were taking and the scale. And so through that platform, we now have a capability that allows people to self-serve. So they can – either our partners can come through that channel or SMBs can go direct in that channel and they can auto underwrite, auto onboard.

They also can consume other capabilities we can offer. As you think about embedded – the future of embedded finance, as you think about the ability to launch issuer processing into certain SMBs. So we're real excited about it. It's small, but it's growing really rapidly. It'll grow over a 100% this year. So very impressed with the team. We think we can accelerate it from there. We think it'll be a big opportunity that opens a new market that really we haven't participated in that SMB market. But that's really going to be our strategy on that portion of the business all while leaning in heavily on global eCommerce and the enterprise business.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Let's turn to the third segments. I'll keep the questions here more limited. Capital Markets 22% of revenues. How should investors just think about sort of the strategic fit or the strategic value of the Capital Markets business to FIS? Like how does it end up integrating with or creating synergy with the other pieces of your business?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Well, it's been tremendous. I mean first, let's start about what we had to do when we bought the SunGard asset in 2015. I mean it was our – it was single-handedly our biggest turnaround that we've done. We obviously didn't pay a lot of money for it in current valuation or even historical valuations. But we knew we had a heavy lift. We had to really bring the individual products together in a solution. We had to build those solutions in a way that we can offer them in a SaaS deployment, and we had to leverage the relationships across our common customers, and it's really paid off.

And so if you look, for example, we now have single go-to-market, the largest financial institutions. We leverage our buying power across capital – or they're buying power across Capital Markets and retail. A great example is a huge relationship with Goldman Sachs, wouldn't have won on the retail banking remit, if we didn't have that huge Capital Markets relationship, we were able to get access to that, be considered. They realized how large the overall relationship was, didn't give up economics for it, but really saw the strength of the overall partnership. And that's a great example of just a huge cross-sell with that Modern Banking Platform win there.

We've done other things when we brought in Capital Markets. So a lot of benefits in financial institutions on common customers. We've also been able to push into new markets. We've pushed into private equity. We've pushed into insurance. We've pushed into investment, very significantly what we've done. We were able to leverage the scale of FIS' processing that SunGard didn't have, Capital Markets didn't have prior.

And so our ability to come in and lower the overall total cost of ownership. So that has been very synergistic with the Banking business and continues to do so. And you're honestly seeing the transformation every quarter where that business is looking more and more like banking every day as far as the reoccurring revenue nature, the SaaS deployment nature, the strength of the margins across those businesses, very excited about how it fits in the overall strategy of the company.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Good. Let me turn to a couple of just crosscutting issues or questions more, I guess, CEO agenda type of questions. First, talk about talent a little bit. We're in a white-hot talent market, particularly in FinTech. So how does FIS ensure that you're attracting and retaining the right level of talent to remain competitive in this space?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Yes. No, look, I mean everybody is going through it. Everybody is seeing the great resignation. Everybody's seeing wage inflation. It is a white-hot talent market. We're doing a lot of really interesting things to drive our talent agenda. We've been able to recruit and retain some of the best talent in the industry. It really goes with, we have a very global approach to talent. We've been hiring talent around the world for the last – sent all the way back to 2010. Actually 2007 is when we really started expanding our talent agenda globally.

That's worked very well for us. We also, in the U.S., went to more middle-market type locations where we could recruit talent, where people wanted to live, and it's really helped us with retention dramatically with that approach. Not only we've been able to get top talent, we've been able to retain it, whereas certain markets, do we have a position in Silicon Valley? Absolutely. Do we see higher turnover there? Absolutely, as everybody does. But you go to other more middle markets and you can retain it better. We've reshifted our whole recruiting effort out of college. We announced a couple of years ago that if you join FIS, we'll pay off 10% of your student loans every year.

That's driven a real high retention. In 10 years, you'll be debt-free with FIS. Of course, you've got to be competitive on wage. And we've seen wage inflation like everybody else has. But given the strength and scale of our business and the high contribution margins of our growth, we're able to compete very effectively, all while expanding margins. Something I'm very proud of the team of. We've seen our call center rates go to $20 an hour, but we've seen even our starting programmer rates just significantly increase. So all of those things that we're doing to compete, and we feel really good about it. Is our turnover rate still higher than where it was pre-pandemic? It is, but all the trends are in the right direction. And our retention of our key talent has been very strong. So we're really pleased with that.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. On a related question, other major area of investment in addition to your people is on the innovation and technology side, where again, the pace of innovation in the FinTech space across all of your segments is extraordinarily fast right now. So what steps do you take sort of organizationally to ensure that you're maintaining a leadership role on the technology side?

<<Gary Norcross, Chairman and Chief Executive Officer>>

I think our product organization has done a phenomenal job with that. Back to talent. I mean, we hired our Chief Product Officer gentleman by name of Vicky Bindra. He's done a fantastic job. He's really brought a high level of talent in, but it didn't start – it didn't stop just with product design and product innovation. I mean you do have to build it, right? You do have to create it. You have to take risk. We've done a very nice job over the years. We've launched an accelerator about seven years ago. I don't know how much people know about accelerators, but we'll have as many as 260 companies apply for 10 spots every year from around the world.

Our accelerator has averaged 100% funding over the last three years, which is phenomenal. We haven't funded them all, but some of our partners have stepped in to even fund them. So we get a lot of innovation and thought processes coming out of that. We drive a program called InnovateIN48. A lot of people call it the hackathon. I just don't like the word hackathon. So I like the InnovateIN48. We challenge our team – our colleagues to pull together virtual teams and in 48 hours, drive innovation using new technologies.

We've had a lot of innovation come out of that with a lot of success. We also do some venture-level investing as a company our size. We'll invest in startups and partnerships, and we'll actually deploy them through our go-to-market channels and really give our customers an opportunity to take advantage of some of these things. But you're right. It's a – knowledge at a white-hot labor market, it's a white-hot innovation market.

And so there's not going to be just one thing you're going to need to do to stay ahead. We talked earlier about our embracement of partners and not only selling our capabilities into FinTechs, but consuming some of the stuff they're doing. But all of those things have to work in a real orchestrated fashion that continue to keep you ahead of the curve.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Well, Erik, I promised you that we would save the hard questions for you. So here we go. So FIS has established medium-term growth guidance of 7% to 9% revenue growth and mid-teens EPS growth. But FIS' current share price would suggest that some investors at least don't believe you'll achieve this goal, frankly. So what would you say? What aspects of the financial model and the outlook give you such confidence that you think the investor community is missing?

<<Erik Hoag, Deputy Chief Financial Officer>>

Well, I think the disconnect is in the terminal back. So the bearers would argue that we're losing – that we'll lose share in the long-term, pushing terminal growth rates to zero, maybe below zero. We clearly disagree based on our strong inconsistent results. We believe that as the market begins to appreciate the strength of the business model again, it will create a lot of upside for the price of FIS shares.

Now over the medium term, growth expectations, Gary touched on. We've got a strong pipeline. We've had several years of strong sales success. Our backlog, which is contracted yet unrecognized revenue, continues to balloon. The Banking and Capital Markets, the businesses are growing at rates they hadn't in several years. And we continue to win share in the Merchant as a leading provider of global eCom. And lastly, Lisa, the business generates a lot of free cash, which creates us a significant opportunity for investment and a significant return of capital to our investors.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. And on that point, next question was going to be on free cash flow. So you've guided to 95% of free cash flow conversion in the near term with the expectation of migrating up to 100% over time as CapEx levels start to come down. So just talk to us about how – I know that's always a attention point with investors as well, where some say more cash, please and others say more investment, please. So how do you think about the trade-off you're making there?

<<Erik Hoag, Deputy Chief Financial Officer>>

So in the last several years, we've gone through a significant data center consolidation program. We're modernizing our applications. We've gone through a pretty sizable investment with the integration of Worldpay. We expect CapEx to come down over the next several years from the current 8% to 9% range to 6% to 7% over time. This will further improve free cash flow conversion. And we invest more than $1 billion a year in order to maintain the lead that we've gotten technology. And we'll continue to do this at the same general level – at the same quantum, but we're no longer going to peg it as a percentage of revenue.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. And then on the – come back to some of the M&A questions in a moment for both of you. But first, just talk a bit about the dividend share repurchase policy. You recently, at FIS, made a pretty significant change in policy, committing to raising your dividend and then committing to a major share repurchase program over the next two years. So can you just talk about – elaborate a bit on that policy and sort of how you're thinking about cash returns in the near term?

<<Erik Hoag, Deputy Chief Financial Officer>>

So a couple of things. We've got a very resilient business model that generates a lot of cash. Second, we believe it's critically important to continually invest in growth and also believe that it's prudent to return excess cash to our shareholders, both through the dividends and share repurchases. So we've recently increased our quarterly dividend by more than 20% to $0.47 per share. This translates to a 2% yield, which really differentiates us from other large-cap index. We're committed to consistent dividend growth of about 20% a year to gradually grow dividend payout ratio of about 35%

adjusted net income. And in the near term, we've also committed to deploying excess free cash flow to share repurchase, which we believe will equate to buying back about 15% of our market cap between 2022 and 2023.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

And is there any sensitivity in that program to the macroeconomic environment? I don't know if you're starting to see any jitteriness. I always feel like it's – you never want to say it out loud because it becomes sort of self-fulfilling when people start saying it out loud. But how are you thinking about the scenario planning given the sort of choppy macro environment?

<<Erik Hoag, Deputy Chief Financial Officer>>

Well, we remain investment-grade. We have got – we're currently sitting at 3 times leverage. We've completed our repayment schedule associated with Worldpay transaction. We have got – our weighted average interest rate is about 1%. I think we feel very good heading into a potential recession.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Let me go to the hot topic of M&A. Historically, M&A, as you highlighted with the Capital Markets business and then with the Merchant business, has been a very core part of FIS' value creation over time. So how are you thinking about M&A right now? Tuck-ins only? Would you consider additional scale acquisitions? And under what scenarios? And then also given the carnage amongst the small cap space and FinTechs, are there particular areas that you're sort of looking around at right now?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Let me take this one, Eric.

<<Erik Hoag, Deputy Chief Financial Officer>>

Okay.

<<Gary Norcross, Chairman and Chief Executive Officer>>

Let's say, as you think about it, this one is kind of interesting because the reality is the market is on sale. So one would argue, you impact your free cash flow, lever up, go and really go after some of these interesting "FinTechs". What we're finding is because of our investment strategy in our traditional businesses today, we don't have a lot of gaps. We're the leader in banking today with new technologies, new capabilities. We talked about that, really the leader in Capital Markets, in our Merchant and our eCommerce business; we did do a small tuck-in in Payrix in the quarter. But right now, given our valuation, this is where the problem comes in.

We're very committed to return – we are going to do an acquisition, we're going to buy ourselves. At these valuations, it just doesn't make sense on a risk-adjusted return. So as Eric described, we'll do 20%-plus dividend increases. There's your 2% coupon, $3 billion of share repurchase this year, another $6 billion for a total of $9 billion for 15% of outstanding shares. Now if the stock market starts responding and our equity values become more in line, would we be open to M&A?

Then sure, I mean, M&A is always going to play an important part of our strategy. But for right now, given this generational buying opportunity for us, taking advantage of that, given the dislocation of the industry and our share price, it just makes a lot of sense not to consider M&A. And with the investments that we've made, even at 6% to 7% of capital revenue back into CapEx, the reality is a lot of our large programs are coming to an end that still gives us plenty of capital to continue to invest for growth and take advantage of that.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

And to that point, what are – looking – we talked a bit about it in the context of each business unit, but just looking kind of across the company holistically, what are the top two or three priorities from an investment perspective?

<<Gary Norcross, Chairman and Chief Executive Officer>>

I think we want to continue to drive into geographic expansion in our Merchant business, very important to continue to lean in on our eCommerce capability, take advantage of that TAM growth and those opportunities. You're going to see us continue to do that. We're going to also make sure that we can continue to grow our other segments in an appropriate way in Merchant. Banking, we really want to bring our banking capabilities into a broader market other than just financial institutions. We talked about a large payment FinTech just launching on MBP as an example. Also – probably – not probably, also reinvigorating some of our non-U.S. business. We've been doing so well in the U.S. frankly. We've lowered the priority of non-U.S. business, but we think there's an opportunity there.

Capital Markets, we're going to continue to invest to build out the SaaS deployment capabilities, the one-to-many deployment model of our existing solutions. There's a tremendous opportunity across multiple segments in the whole B2B space. So you'll hear more and more about us investing in B2B. But those would be the highlights of where we're focused.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Well, I have the yellow light, so that means I have to move to my wrap-up questions. Gary, you're out talking with investors all the time. Clearly, it's been a pretty frustrating couple of years for FIS. Listening to the narrative you hear about FIS, what would you say are the top couple of aspects of the FIS story that are underappreciated by investors?

<<Gary Norcross, Chairman and Chief Executive Officer>>

Well, hopefully, we hit on those today. I think it started out, if you go back to Q2 last year, we beat top-line. We beat profit and we blew out EPS, and we raised guidance by $250 million, and I think the market only sold us off 22%. So I mean, if you look at it, if you would have told me in my career that would have happened, I think people got dislocated from what fundamentals and why fundamentals matter. I think some of that's starting to come back. They ran to why did they do that?

There was over $200 billion of money flow into start-ups, but now they're starting to see good group. Those startups weren't actually growing at the rate they thought or taking share or making money. So I think as we move through this next cycle, you're going to see people start returning to it because fundamentals do matter. And the reality is our volumes and our growth rates in Merchant, it's 30% of our business, but they sold off the whole company for over 30% of the revenue. The volumes are returning in the same manner they went off.

And more importantly, the yields are returning in the same manner as when they went on. The durability of the business model of Merchant is very strong. Our ability to compete is exceptional. And frankly, our free cash flow and our growth rates coming out of Banking, Capital Markets and all of that profit, free cash flow production is really industry-leading. And so I think investors, as they start looking into that, are going to see a real generational buying opportunity. And you can do this all while clipping a 2% coupon, pretty differentiated in the market.

I'm not quite sure who else is going to provide you that and give you a 7% to 9% growth rate on top of all that. So – organic growth rate. So I think a lot of the confusion starting to get cleared up. And I think as time goes on, people are starting to realize. But you're right, it has been frustrating. The company has never operated at a more – better. In our 53-year history, this is some of the – actually, this is the top operating performance the company has ever put up. And the equity markets will certainly realize that. But in the meantime, we're going to take advantage of where the share price is and make sure we buy a lot of our own shares back.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Wonderful. And just I know you gave the pitch kind of in there, but why don't you just sort of tie a bow around it with, from an investor perspective, what's that sort of 30-second elevator pitch on FIS, the medium-term financial commitment and some of your areas of investments.

<<Gary Norcross, Chairman and Chief Executive Officer>>

You've got the largest financial technology firm in the world that services a very broad, highly diversed market, that's going to play extremely well in good market conditions and bad market conditions. We spend all of Payments, all of Banking and all of Capital Markets. We're going to grow 7% to 9%. We're going to expand margins 50 to 100 basis points, which is going to expand earnings per share in mid-teens. It's going to produce industry-leading free cash flow that we're going to return through share repurchase. And a dividend of 2% share repurchase over the next two years we'll take out 15% of outstanding shares at current prices. So it's a phenomenal buying opportunity. We've never seen strength in the company like we're seeing now through our sales channel and our backlog, and we've never felt better about the company.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

All right. Excellent. Well, terrific, Gary and Eric, both from FIS. Thank you guys so much for joining us and for batting cleanup on Day 1 of our summit this year. Thank you.

<<Erik Hoag, Deputy Chief Financial Officer>>

Great.

<<Gary Norcross, Chairman and Chief Executive Officer>>

Thank you for having us, Lisa. It's always great to see you.

<<Lisa Ann Dejong Ellis, Analyst, MoffettNathanson LLC>>

Terrific. Thanks a lot.

<<Gary Norcross, Chairman and Chief Executive Officer>>

Bye.