Fidelity National Information Services [FIS]

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DAN PERLIN: Thanks, everybody, for joining us late in the afternoon. Again, I'll say for those of you whom I've not had a chance to meet, or you just showed up, I'm Dan Perlin. I head up the fintech practice here at RBC. And I'm delighted to have my good friend Nate Rozof joining us today with FIS. So thanks so much for being here.

NATE ROZOF: Thank you, Dan.

DAN PERLIN: And I forget your title now. You're EVP, corporate finance, IRR. What the heck?

NATE ROZOF: Couple things--

DAN PERLIN: How many more you want to add to this thing?

NATE ROZOF: I'll let you know.

DAN PERLIN: Good, good. It sounds like it's on its way. So thanks again for being here.

NATE ROZOF: Yeah.

DAN PERLIN: You've always been a friend of the conference, and you've always been very supportive of me, so I appreciate your time.

NATE ROZOF: No, I, again, appreciate you inviting us, appreciate you having us. It's been a good friendship-- look forward to continuing it.

DAN PERLIN: Cool, cool. I agree with that.

NATE ROZOF: Yeah.

DAN PERLIN: So let's just start bigger picture, and we'll funnel our way in. When we think about the demand environment and what you're seeing, as you look across your organization, it's quite global. You touch a lot of things. Maybe if you could just address in the context of where we are today what you're seeing across the operation, and then we'll go deeper from there--

NATE ROZOF: Yeah, absolutely. So what we're seeing in terms of the macro environment and how it's affecting our end customers is really status quo. So from the banking perspective, the banks have begun, or the financial institutions have begun an upgrade cycle over the past few years. That continues, the macro challenges notwithstanding.

And so as we see rates potentially rise, that's actually a tailwind for banks and bank spending, so that's not helpful. On the merchant side, we're continuing to see pent-up demand from consumers flow through with strength in categories like travel and airlines, which just seems to continue to defy gravity, pulling cross-border spending higher.

And capital markets is just continuing to chug along. So I think we're all watching the macro environment with a degree of caution. We haven't seen demand challenged from the macro at this point in time. We haven't seen the consumer roll over. We think the banks are-- will need to continue to upgrade.

DAN PERLIN: Yeah.

NATE ROZOF: So from a top line perspective, I think we feel pretty good.

DAN PERLIN: OK.

NATE ROZOF: We'll be cautious, but we feel comfortable--

DAN PERLIN: Good.

NATE ROZOF: --sitting here today.

DAN PERLIN: Any discernible differences in terms of geographies, domestic versus international as an example? And then in international, anything worth pointing out?
NATE ROZOF: Not materially yet. We saw a bit of weakness in-- within SMEs in the UK--
DAN PERLIN: Mm-hmm.
NATE ROZOF: --but it's been a month or six weeks, so it could be a blip. It's hard to tell if it's a trend. We haven't seen the jubilee data through yet. So net net, no. I think everything has remained fairly consistent, with the exception of the thing that's really stood out to the positive over the past month, six weeks-- has been travel continuing to get stronger.
DAN PERLIN: Yeah. I feel it, I see it, and I desire it.
NATE ROZOF: Yeah.
DAN PERLIN: So I'm empathetic to that. Yeah, for sure. So let's talk about some of these investments in modernizing the platform and future-proofing FIS in a lot of ways. So you've done a lot in the past five to seven years. It may or may not beg repeating, but one of the things it's done is it's driven up the capex as a percentage of revenues.

And so what I wanted to know was, one, on some of those bigger bets that you were making early on, and where we land today, which ones have been the most successful? Which ones are really paying the dividends today? Which ones are going to be drivers of future growth over the next couple of years too? I'll start with that.
NATE ROZOF: Yeah, that's a good question. Really, five years ago-- and I'll keep it short-- the goal and the intent of the journey we embarked on was really re-architecting or replatforming FIS from a legacy batch mainframe type of architecture and technology stack to a cloud-native set of not only infrastructure, but also applications, really driven by multiple things-- not only efficiency, resiliency, the things that our clients demand, but also client eagerness to be able to roll out new products and capabilities quickly to be able to meet their customers where they are.

And sitting here today, we've now largely deployed many of the most significant platforms that we invested in. Payments One has been a success for our issuing business. Obviously, it saw pandemic benefit, but it's been growing double digits recently.
DAN PERLIN: Mm-hmm.
NATE ROZOF: That stands out for us. Digital One has been very strong for us with large financial institutions. That's an omnichannel solution. So what that means is you plug it on top of the [INAUDIBLE] to run the mobile app and the online banking for the bank. Code Connect's the integration layer that ties it all together.
DAN PERLIN: Yep.
NATE ROZOF: That's proven helpful, and as banks want to pivot technologies, that's worked. And modern banking platform's really just coming to market. So across the banking space, we've got issuing, core-- and I didn't talk about wealth, but wealth and retirement technology.
DAN PERLIN: Yeah.
NATE ROZOF: Really, we feel like we're at the front of the product curve as the upgrade cycle's beginning to really kick in.
DAN PERLIN: Yeah. No, when we look at the competitive environment, it does seem like you guys are in a good position. I did want to ask you that, but before I jump to that, where are we in the capex cycle of all this us?

NATE ROZOF: Oh, yes. Thank you.
DAN PERLIN: Because it had been pretty steep, and quite frankly, got pretty high.
NATE ROZOF: It did. So I think capex was probably 9% of revenue last year.
DAN PERLIN: Right. Yeah.
NATE ROZOF: We think it peaked in the first quarter, and actually I think poked above 10. We're expecting capex to be coming down as a percentage of revenue from here. I think we're forecasting 8-ish percent, 8% to 9% for full year '22, and then it'll continue to step down from there. The target is to get capex back down to the-- call it 6% of revenue range.
DAN PERLIN: Yeah
NATE ROZOF: We're expecting capex to-- in absolute dollars, to remain fairly consistent or potentially [INAUDIBLE] but--
DAN PERLIN: Right.
NATE ROZOF: --percent of revenue will come down. We really feel like, with the solutions we just talked about, they're largely in the market. We're continuing to deliver incremental components, but the core solutions themselves are largely complete.
DAN PERLIN: OK. So now on the competitive side, you've spent all this money.
NATE ROZOF: Mm-hmm.
DAN PERLIN: You're on the other side of the mountain in terms of spending. And quite frankly, the demand environment seems to be much more favorable for the products that you bring to the market now. And there was some concern early on that there were some competitors that were a little more digitally native in that context. So maybe outline as you think about wherever you think you have the most competitive advantage that exists today based on some of those investments that you made.
NATE ROZOF: Yeah, it's a great question. Our number one competitor is in-house. The banks own IT department. Historically, banks have built those applications themselves to run them in-house, because they wanted to customize them.
DAN PERLIN: Yeah.
NATE ROZOF: That's no longer feasible. Having these new solutions that are cloud-native, that they can implement easier, digest easier, pick the components they want, pay as they grow is critical to competing with strong inertia of a significant internal CIO, CTO development staff.
DAN PERLIN: Yeah.
NATE ROZOF: I think, relative to the smaller competitors, where you were really trying [INAUDIBLE]
DAN PERLIN: Could you--
NATE ROZOF: Totally side-stepped your question--
DAN PERLIN: Could you sense that?
NATE ROZOF: Maybe. There's some great companies in market. And what we've seen is they've developed strong solutions that meet a particular niche of the market, whether that's a specific channel, like the mobile online market, where we've seen good competitors, or it's a piece of lending workflow. But in terms of the ability to add new breadth, core-- whether that's retail core, wealth and retirement, issuing-- really the ability for someone to deliver that type of a complex solution-- we really haven't seen much success--
DAN PERLIN: OK.
NATE ROZOF: --from those smaller players yet.

DAN PERLIN: Yeah. Yeah. That's good to hear. That's good to hear. Good businesses have to reinvent themselves over time, and the ones who are really successful do that. And that's, it seems like, what you guys decided you were going to do, as I said, like seven years ago. So you had the foresight to do that. It was pretty positive.

Let's talk about the guidance a little bit just to get that out of the way. The organic revenue growth-- I think you were calling for 7% to 9%. And so what I want to be able to leave here with investors is, what are some of the things that are giving you the confidence as you gave that guidance, also in the context of maybe where we sit today, where there's been a lot more consternation in the market, and quite frankly, around rates and inflation-- that we should feel pretty good about the top line growth numbers?

NATE ROZOF: Yeah. I think, in terms of the top line, we've got more tailwinds than headwinds sitting here today. As we look at a segment by segment level, we're expecting 10% plus growth in merchant, 9% to 10% growth in the second quarter, really driven by continued pandemic recovery. And that seems to be continuing to play out. As I mentioned, we haven't seen the consumer roll over. Travel and airlines continues to improve.

Within our banking segment, we're expecting upper single digit growth for the full year, mid-single digits in the second quarter-- which is really the most difficult comp quarter of the year-- driven by continued progress of this upgrade cycle.

DAN PERLIN: Mm-hmm.

NATE ROZOF: So we've got some one-time items [INAUDIBLE] primarily related to the pandemic-- PPP as a [? for ?] example. We had some large term fees in the second quarter of last year that'll affect compares in 2Q, and to a lesser extent, 3Q. We'll work through those and so we expect banking revenue growth to be accelerating in the back half of the year to support that outlook.

DAN PERLIN: Yep.

NATE ROZOF: Last, but not least, capital markets continues to benefit from the transition to SaaS, recurring revenue-based pricing. And the products they brought to market, again, as an end-to-end solution versus niche point products-- in this environment, that's resonating well with the clients.

DAN PERLIN: Yep.

NATE ROZOF: So in-market demand feel strong. The products that we have in market feel strong. Competitive environment feels favorable. And the consternation around inflation is actually, ironically, more of a tailwind to revenue for us than a headwind, in that, in our banking and capital markets businesses, we do have inflation escalators relative to a number of those products, where, as we anniversary the contracts with those clients, the inflation escalator will increase the pricing on those products by 2% to 6%. So that's helpful.

In merchant, about 45% of our revenue's based on volumes. As consumers spend more with inflation, we're getting paid on that volume. That's helpful. I think the primary risk or headwind to revenue at this point in time won't affect organic revenue growth, your 7% to 9%.

DAN PERLIN: Yep.

NATE ROZOF: But [? FX ?] is certainly becoming an increasing pressure to the nominal, or dollars of revenue to go forward.

DAN PERLIN: Yeah. We've seen the dollar strengthen. We were trying to measure it from every company's-- when did they report? Where does it stand? And there was a period there where it was actually looking like it could potentially be positive, like a tailwind to you guys.

NATE ROZOF: Mm-hmm.
DAN PERLIN: That has quickly changed--
NATE ROZOF: Yes.
DAN PERLIN: --quickly gone. So you're not alone in that regard, but how do we translate that set of commentary to how we're thinking about EBITDA trajectory?
NATE ROZOF: Yep. So we guided to 50 basis points, I think, of EBITDA margin expansion for the year. And really, that includes a few key assumptions that get you there. Number one is the revenue headwinds I mentioned for banking-- those create margin headwinds in the second and third quarter as well. So we are anticipating banking margins to bottom in the second quarter, and expand through the year.
Really, we will have lapped those things by the fourth quarter, so fourth quarter banking margins we're expecting to be strong relative to the other three quarters. In merchant, and frankly, across the business, we typically see a seasonal ramp in margins through the year. The first quarter is the lowest margin, merchant as a [? for ?] example. Following the holiday season, the fourth quarter's the strongest.
DAN PERLIN: Yep.
NATE ROZOF: So that creates opportunity for us as well. So from a margin perspective, I think that the core assumptions we made that drove us to our margin guidance-- feel good about those, feel like those are all intact. I think the biggest risks we have to the margin for the year-- probably more to the back half, given the trends we're watching-- [? FX ?] if that continues to flow through, that does create some pressure on margin, as we're now more heavily weighted to employment in the US versus abroad.
DAN PERLIN: Yeah.
NATE ROZOF: Inflation affects our business as well. That's both wage inflation-- which, we obviously call that when we provided the guidance. And we're seeing some of that inflation broaden out across the economy. So that is something that we'll have to monitor. So what I'd say to you guys today is right now we're seeing risk increasing.
Where we're really focused-- and I think we'll probably spend some time here-- you may want to follow up-- is around driving free cash flow so that we can continue to buy back FIS. One of you today asked me, will we protect the margin at the expense of revenue? And I think, based on where we are in our product cycle and the investments we made, the answer to that is no.
DAN PERLIN: Yeah.
NATE ROZOF: We've made significant cost reductions related to integration, et cetera. Right now FIS is about bringing new product to market, capitalize on the scale we have in a time when scale's going to matter a lot.
DAN PERLIN: Right.
NATE ROZOF: So we're going to be focused on revenue growth above protecting the margin.
DAN PERLIN: Right
NATE ROZOF: And then driving cash--
DAN PERLIN: Yeah.
NATE ROZOF: --to return that to shareholders and drive value to shareholders--
DAN PERLIN: Yep. So what I'm hearing there is the top line trajectory feels like it's got more positive than negatives--
NATE ROZOF: Mm-hmm.

DAN PERLIN: --even in the current backdrop, which is quite positive relative to a lot of other companies that we follow, but also in other industries. And on the margin side, the trajectory can hold, all else equal, unless a couple of these things get a little bit worse-- which, right now, they're trending in that direction.
NATE ROZOF: Right.
DAN PERLIN: And you're really not going to protect that at the cost of revenue growth, because you just spent all this money to drive revenue growth.
NATE ROZOF: Exactly.
DAN PERLIN: OK. Then we go to the capital redeployment, which is your point about free cash flow. So although you may not be able to be protectionary around the margin, what about earnings?
NATE ROZOF: Yeah.
DAN PERLIN: You've put in a pretty big buyback set of commentary, both this year and next year, so maybe if you could bring us up to speed on that--
NATE ROZOF: Yeah. So we're focused on driving free cash flow conversion. Bringing the capex down as a percentage of revenue is one lever that we're using to do that. Through the remainder of this year, and '23, we intend to deploy that free cash flow into share repurchase, which should help earnings. And so that is the intent.
I think, as we think about positioning FIS for post-recession, reducing or taking down close to 15% of the market cap creates the highest-- one, it's the lowest and best use of capital today, but two, it's-- creates the highest probability of us having a real powerful currency as we all start to sift through the wreckage--
DAN PERLIN: Yeah.
NATE ROZOF: --two or three years from now.
DAN PERLIN: Yep. So you're still committed to $3 billion--
NATE ROZOF: Yes.
DAN PERLIN: --I think was the number for this-- really, the second half of this year--
NATE ROZOF: Second half of this year [INAUDIBLE]
DAN PERLIN: --and then $6 billion in 2023-- no change to those numbers?
NATE ROZOF: Correct, no change--
DAN PERLIN: Yeah. So this idea of sifting through the carnage is an important one, and we've had a lot of conversations about this. We had a lot of private companies here today.
NATE ROZOF: I'm sure.
DAN PERLIN: And the valuation reality hasn't totally set in yet. In fact, what we hear more of is that the boards of a lot of those companies are-- they're not seeing enough proof points to just go ahead and do those big down rounds. What are you prepared to do, what are you seeing, what kind of conversations do you guys have internally about when those opportunities, if ever, present themselves?
NATE ROZOF: We're focused on investing in the highest growth segments of our business and positioning FIS to be able to deliver more value to our clients over the medium and long term.
DAN PERLIN: Mm-hmm.
NATE ROZOF: So you have to look at, where is the market moving? Where is it going? E-commerce is an obvious answer in merchant.
DAN PERLIN: Yeah.
NATE ROZOF: What drives e-commerce? Geographic expansion, the ability to drive incremental revenue from merchants through often fraud, which is AI data analytics-- on the banking side, it's how do we

unlock banking to drive embedded finance through our distribution channels? So where we can identify a technology or an asset that we can push through our channels, or unlock--
DAN PERLIN: Yeah.
NATE ROZOF: --our assets to [INAUDIBLE] channel, that's where you're going to see us focused.
DAN PERLIN: OK.
NATE ROZOF: And so a lot of those small companies that you're meeting with are probably more on the great asset side of the house, where it might be more-- where it may make more sense a few years from now to buy, then build.
DAN PERLIN: Yeah.
NATE ROZOF: Today we're building and buying back stock.
DAN PERLIN: OK. That's the message. I got it-- very clear. So let's go into each one of the segments just a little bit deeper. In merchant, you've had this weird dynamic, where we've had periods of time when there was these rebounds in the economy and everyone said, we didn't participate quite as much. And the reason for that, again, is because you have a lot of these big enterprise--
NATE ROZOF: Yep.
DAN PERLIN: --clients, and it's fixed fees per transaction.
NATE ROZOF: Yep.
DAN PERLIN: You already alluded to the fact that there's inflationary benefits on average ticket as long as it doesn't push the consumer out of the world, but what you didn't say was that there's a lot of frequencies that are also increasing potentially. At least that's what we're seeing.
NATE ROZOF: Mm-hmm.
DAN PERLIN: I wanted to see if that's what you were seeing in the transactional data. And why would that be a big benefit for what I think is-- I don't know-- 45% of your business?
NATE ROZOF: That's right. Yes. So our [INAUDIBLE] alluding to our enterprise clients-- those are going to be large grocery store chains, drugstore chains, gas stations-- where the consumer tends to move their spending in times of economic stress. They go from discretionary to non-discretionary. And what we historically see in times of recession or customer-- or consumer stress is they hoard cash. They go to the gas station. They don't fill up for $150. They put in $50, because that's what they can afford today. And then they go back in two days.
DAN PERLIN: Yeah.
NATE ROZOF: We charge those enterprise merchants on a per swipe basis or per tran basis. So if we can get three swipes out of $150, we can make three times as much revenue as if we get one swipe out of $150.
DAN PERLIN: Right.
NATE ROZOF: In the pandemic, the world was upside-down, and consumers actually went to the store less often, and spent more.
DAN PERLIN: Yeah.
NATE ROZOF: I think, interestingly, going into the pandemic, we all thought about the recessionary resilience of these businesses.
DAN PERLIN: Yep.
NATE ROZOF: But the pandemic did the opposite of what a recession normally does.
DAN PERLIN: Exactly.

NATE ROZOF: So going into the recession, FIS and those with enterprise clients should be resilient going in. We won't get quite the same benefit to the high growth coming out as quickly, but I think, in a period of time like this, the scale of the model will show through in the way that a lot of folks were looking for it to do so going into the pandemic.

DAN PERLIN: Right-- while others may not.

NATE ROZOF: Right.

DAN PERLIN: Right. And so that was the point of distinction. Are you seeing any discernible differences in terms of affluent versus less affluent consumer spending? And we talk about how they're maybe going to have more frequency, but--

NATE ROZOF: Yeah.

DAN PERLIN: --what we're really trying to figure out is, is the low-income consumer showing signs of really cracking? Or quite frankly, are we seeing the affluent consumer may be pivoting a little bit more than a lot of people would have expected?

NATE ROZOF: In the data that I've seen, there isn't a distinction. So you may see an affluent customer pull back from a trip that they deem to be overly expensive, given the inflation and travel.

DAN PERLIN: Mm-hmm.

NATE ROZOF: Or you could see a subprime consumer decide not to buy a transaction on buy now, pay later. But net net, the consumer's very healthy post the stimulus, post the pandemic, given the job market, so we haven't seen it affect the consumer materially at this point in time.

DAN PERLIN: OK. You proactively offered up travel--

NATE ROZOF: Mm-hmm.

DAN PERLIN: --maybe three times, maybe four. I'm not sure. So why don't you do two things? One is remind us how big a piece of business that is, and where it sits, and how we as outsiders looking in would be able to feel good about those proof points, as you're describing them.

NATE ROZOF: Sure. So travel sits within our merchant business, and specifically within merchant, it sits within e-commerce. The business is primarily driven by airline bookings, cruise line bookings, online travel agency bookings. And pre-pandemic, the travel vertical by itself represented about 6% of the merchant segment revenue base. During the pandemic, that dropped as low as 2%.

As that comes back, that creates four points of tailwind, which is why I keep mentioning it. And we're seeing that start to flow back through. We're also excited to see if we can get it to be larger than 6% in the future, just given that, one, e-commerce is growing as a percentage of the mix, and two, we continue to win significant new travel clients--

DAN PERLIN: Yeah.

NATE ROZOF: --and won a lot of them through the pandemic that contributed nothing at the time--

DAN PERLIN: Yeah.

NATE ROZOF: --really from an incremental revenue and volume standpoint.

DAN PERLIN: Yeah.

NATE ROZOF: So I think we're feeling pretty bullish on travel.

DAN PERLIN: Yeah. I can tell.

NATE ROZOF: You want to talk about travel? I can talk about it all day.

DAN PERLIN: That's fine with me. That's good. That's good. It's about time. It's been a topic of discussion for a long time, and for whatever reason, it just hasn't truly manifested itself into the numbers.

NATE ROZOF: Yeah.

DAN PERLIN: But I did want to ask you about Europe-- in particular, the UK and the [INAUDIBLE] book. I was just speaking with a colleague of mine earlier today, and she was saying that London was open for business more so than the United States. So what are you seeing in terms of your data? And how helpful would that be for you guys?

NATE ROZOF: Our UK business, I think, grew mid-teens in the first quarter.

DAN PERLIN: Mid-teens?

NATE ROZOF: Yeah. So where it shut down in December--

DAN PERLIN: Yep.

NATE ROZOF: I think you guys may all remember, it was trending at mid-teens pre-omicron--

DAN PERLIN: Mm-hmm.

NATE ROZOF: --went to zero in December of last year. Yes, it's open for business.

DAN PERLIN: That's awesome. All right. So banking solutions-- you've got this big backlog that's been growing. Help us understand how that translates throughout the year. Again, how are implementation cycles? You have a lot of innovation that you spent on, and so they obviously want the product. Are they in a position to be able to implement that? And again, just the timelines, so we're not getting over our skis when we hear you talk about great things that are going on that segment--

NATE ROZOF: Yeah, great question. So our backlog has been growing consistently 6%, 7%, 8%--

DAN PERLIN: Yeah.

NATE ROZOF: --on a year-over-year basis for the past, feels like, 12 quarters.

DAN PERLIN: Yeah.

NATE ROZOF: We typically convert, and expect over the next 12 months to convert about 30% of that backlog into revenue. Backlog is total value of revenue under contract where there is a termination fee, meaning that we're locked in and we'll get the revenue.

DAN PERLIN: Yeah.

NATE ROZOF: We use backlog as a leading indicator of revenue growth, because obviously if the amount of revenue we have under contract's growing at 8%, like it did in the first quarter, presumably, that should convert to revenue over a period of time. It's a bit of a leading indicator, in that, obviously, it's a total contract value concept, and contracts, let's say, average five years in length. So that said, if we can grow the number of five-year-long contracts 8% per annum, then that's beneficial for us.

In terms of implementation cycles and/or converting it direct to revenue, it's difficult to make a one to one from backlog to revenue, just given that you've got new winds coming in at the top of the funnel. As it converts to revenue, it comes out of the bottom of the funnel.

DAN PERLIN: Yep.

NATE ROZOF: And you have implementation timing, et cetera. So it can be challenging to make that math equation work perfectly. But in terms of our ability to flow it through and drive it to revenue, I think we've seen that in terms of accelerating revenue growth, particularly in banking and capital markets. And we're seeing it in the strong growth rates that we're having for modern banking platform.

We've now converted that into a $100 million a year annual run rate business growing at 50% plus. We're running red hot in terms of delivery. We're delivering about as much as we can, so we're not anticipating--

DAN PERLIN: Mm-hmm.

NATE ROZOF: --to go to the moon from here. But I'd say delivery in the amount of delivery capacity we have is probably one of our biggest challenges from a revenue perspective sitting here--

DAN PERLIN: OK.

NATE ROZOF: --today.

DAN PERLIN: What about banking as a service? We hear that a lot, more frequently. Seems like it's a pretty busy space in terms of competition. So what's the update there in terms of your pace of play, what you're seeing from competitors who are trying to get back into the space-- smaller ones here, again, that we would talk about? Any kind of framework around that would be helpful.

NATE ROZOF: Yeah. So we're highly focused on delivering banking as a service in order to enable our financial institution partners to be able to deploy capabilities to their customers and new products quickly, and therefore grow their revenue and compete against-- whether it's a neobank, or a fintech, or whoever that may be.

We've had some announcements there-- I think you'll continue to see those-- where we can-- excuse me-- enable banks to quickly deploy deposit taking capabilities, money movement capabilities, card issuing capabilities through a cloud-based set of APIs so that they can pay for what they use and pay as they grow.

DAN PERLIN: Yep.

NATE ROZOF: We believe that we have the leading set of capabilities in our banking space across core, deposits, lending, issuer, wealth, et cetera. And it's about unlocking those capabilities to be able to be consumed more easily by a broader set of clients through our fintechs or through our bank partners, fintechs, corporates, et cetera.

DAN PERLIN: OK. Getting a little choked up there--

NATE ROZOF: I am.

DAN PERLIN: [INAUDIBLE]

NATE ROZOF: I'm emotional about it.

DAN PERLIN: I'm going to give you a second.

NATE ROZOF: Yeah.

DAN PERLIN: We only got a minute here anyway. So that was really, really touching. But it leaves us with capital markets we're in capital markets. So tell me what's happening in capital markets. This has obviously been a transition business. You talked about it a little bit before. But you know where will this land in terms of total recurring revenues? You've been making this pivot. And I forget. I think you're in the 70s or something like that now.

NATE ROZOF: Yeah, I think we're at 72%--

DAN PERLIN: 72%--

NATE ROZOF: --recurring revenue--

DAN PERLIN: Yeah.

NATE ROZOF: --up from probably below 60--

DAN PERLIN: Yeah.

NATE ROZOF: --when FIS acquired SunGard. The intent is to get that up to 80% or 80% plus.

DAN PERLIN: Yeah.

NATE ROZOF: And really, as we've gradually moved from license revenue, which you can recognize almost immediately at 100% margins, and moved to a SaaS-based revenue model, just like any other software company, that's [INAUDIBLE] headwind to growth.
DAN PERLIN: Yeah.
NATE ROZOF: We decided not to do the big step change shift, but to do it gradually.
DAN PERLIN: Yeah.
NATE ROZOF: We've now gotten to the point where it's becoming more of a tailwind than a headwind. I think our recurring revenue capital markets grew 8% in the first quarter versus total revenue of 6%.
DAN PERLIN: Yeah.
NATE ROZOF: So we feel good about that. So we're continuing to make progress, and we'll continue to move the needle in that direction.
DAN PERLIN: OK. Well, we got 22 seconds left. I'll leave you with the last word. So is there anything you want to communicate to the group? Just here, again, as we sit here today--
NATE ROZOF: Yeah.
DAN PERLIN: --the market's been incredibly volatile. I do think the narrative on your company has become a lot more positive, with the conversations I've had with investors.
NATE ROZOF: Agreed.
DAN PERLIN: It sounds like that might be also happening with your conversations today. But any last closing remarks?
NATE ROZOF: Yeah. I think that the market is always under-appreciated the value of scale. And by scale, I don't mean margins. I mean the ability to provide an end-to-end solution, the ability to provide a global solution, and the ability to provide a bundled set of solutions to different types of clients. As we go into periods of stress, that scale becomes increasingly important. I think the market is recognizing that--
DAN PERLIN: Mm-hmm.
NATE ROZOF: --at the moment. I think they'll continue to recognize that, particularly if things continue to become more challenging. And the large cap scale providers that were largely left for dead during the pandemic are now priced in a way that's very attractive from a valuation perspective--
DAN PERLIN: Yeah.
NATE ROZOF: --with highly resilient business models, profitability, and cash flow. So--
DAN PERLIN: Yeah.
NATE ROZOF: --from a fundamentals perspective, we feel really good, and it's just about taking advantage of our strengths over the next 3, 5, 10 years.
DAN PERLIN: Cool. Well, you've position yourself well to do it, so--
NATE ROZOF: Yeah.
DAN PERLIN: --awesome.
NATE ROZOF: Thanks you.
DAN PERLIN: Thanks so much for being here. Really appreciate it.
NATE ROZOF: Appreciate you.
DAN PERLIN: All righty, man. [INAUDIBLE]
NATE ROZOF: [INAUDIBLE]
[APPLAUSE]

[MUSIC PLAYING]