Okay. Good morning, everyone. Welcome to the second day of the UBS 27th Annual Global Technology Conference. I'm Tim Chioda. I'm the lead payments processors and fintech analyst here at UBS. And we're very fortunate to have with us this morning the team from FIS. We have with us this morning Stephanie Ferris, president and CEO, James Kehoe, the CFO, and also thanks to George Mihalos, who's also here making the trip to Arizona. George is SVP and head of IR. So thank you to Stephanie, James and George for being here this morning.

Happy to be here. Thanks for having us, bright and early.

Yes, kicking it off this morning. All right, great. So we have a series of questions that we're going to attempt to get through in the 30 minutes we have here. We're going to start with banking, move into some capital markets, questions a little bit on WorldPay. We'll also touch on capital allocation, and we'll touch a little bit on how we should start to think about some of the framework for 2024 revenue and EPS.

So with that, why don't we start with the banking- the banking business and thinking about some of those, excuse me- ah, sorry we'll start with the consolidation question. So when we think about the banking business, we think about the overall number of banks in the US kind of consolidating at maybe a 3% to 4% negative CAGR over the years. But there's still a large absolute number of banks out there. When we think about the opportunity of share gain, in other words, of that remaining portion of banks, how many of those are actually up for grabs each year, that you can address?

Yeah. So you're exactly right, the overall number of banks is shrinking. However, the majority of those are in the smaller end. Where we play at FIS is really above the $5 billion-$50 billion mark. So we're much more concentrated in the large financial institutions, which typically end up being the share gainers, either in terms of organic growth of deposit accounts and consumer accounts or through M&A. So as they think about M&A, they're typically the acquirers versus acquirees. And I know a lot of my competitors talk about the number of new core wins they have each quarter and each year. If you think about that, that's really a lot of core that switching, is down below the $1 billion bank level. And so there's a lot more churn there. As you think about from an FI standpoint in the banking business, because we tend to serve the larger financial institutions, they're far more stable in terms of less M&A, and they also continue to gain a lot of consumer and deposit market share. So that's where we gain a lot of our sustainable growth over time.

I think most recently, you'll probably asked me a little bit about, well, what about the regional banks? I'm thinking about, you know, everything that's happened since March. And, you know, pleased to report that we haven't lost even with some of that stuff that happened in March, you know, serve a lot of those customers, haven't lost any of the cores in that, which you know, just continues to reinforce that we end up being the share gainer. And any time of transaction activity, we actually like that kind of transaction activity. And if you remember in
the first quarter, our banking business and our capital markets business both benefited from all that transaction activity, as more banks had opened up more accounts and there was just a lot more transaction activity in the capital markets business. So while we don't like to see big market events like that broadly, I think from an investor standpoint, we tend to be share gainer in that, from an FIS standpoint.

Tim Chioda: Excellent. Thank you, Stephanie. Let's talk a little bit about the Modern Banking Platform. So, you've talked about a little bit of momentum there with the MBP platform on the earnings call. I think what would be helpful to investors if you could give some sort of an update in terms of how much of a revenue contributor that is now and how much it's contributing to growth and how we should think about MBP going forward?

Stephanie Farris: Yeah. I mean, so since I came back into FIS, I've been really focused on making sure that we drive the operational delivery of a lot of the product investments we've made over the last 3 to 4 years, Modern Banking Platform being one of them. If you recall, since 2019, we signed a lot of those modern banking platforms with very large financial institutions. And I couldn't be more thrilled. And I talked about this on the last earnings call, that we're getting a lot of those very large regional banks out in production. Now, when you think about the large banks, the way that they are going to consume and use Modern Banking Platform is very different than community banks that really switch an entire core over the weekend. The way the large financial institutions are using Modern Banking Platform is standing up a deposit account first, putting new deposits there, savings accounts, putting new savings accounts there. CDs, new CDs, there. And so it has a very long trajectory, which is really good, if you think about us, from why do we feel good about organic recurring growth over a long period of time? There's not going to be a mass conversion on Modern Banking Platform, that's just not how big banks are going to do it. And so I think I talked about in the first quarter earnings call, there are three that are in market are coming to market, very significant large financial institutions, like I said, picking up and starting with- it depends on the financial institution, but typically like a CD or a savings or a deposit. And then even more recently, we have a large financial institution that's up with consumer lending modules. So they're picking up their modules as they're ready, and they're typically starting with new business versus converting the back book. And it just depends strategically as they think about each one of them is moving through that cycle differently, but it gives us a long trajectory of thinking about growth. And if you remember from the large financial institutions, we're talking about regional banks, this is new TAM for us. While we serve these large financial institutions, typically these are cores that they've been running in-house for 25 or 30 years. So most of these is new TAM as we think about driving revenue going forward.

Tim Chioda: Okay, great. Stephanie, you alluded to this a little bit in your comments, but there's two components, really. There's the accounts and deposit side, which is, I believe, where you first started- you first started with MBP, but then there's also the lending modules. And I believe initially the thought was that many of the banks that had signed up on the accounts and deposit side would eventually take the lending modules. Could you just talk about the extent of the rollout of the lending side and what progress has been made there?

Stephanie Farris: Yeah. So the lending modules are available. There's one very large financial institution using it. Most of the other banks on MBP, they're getting there. They're first starting with savings, CDs, checking, then they're going to consumer lending, then they're going to commercial deposits and then ultimately commercial lending. So the capabilities there, the modules there, it's really dependent upon their- how they're planning to implement over time.

Tim Chioda: Okay. And this one might be a tougher one to quantify, but if you could directionally help us, a lot of times investors looking to see, when we think about a bank taking on MBP, whether it's on the accounts and deposit side or the loan side. Is there a rule of thumb that we can think about for the revenue opportunity, maybe as a basis points of the bank's assets?

Stephanie Farris: Ah, I wish it was that easy. No, I think the easiest way to think about it right now is thinking about number of consumer - a number of accounts that are on the platform versus an asset size.
And so as the banks bring up their modules and add accounts, that would be more the way I would think about it.

Tim Chioda: Okay, great. Thank you. Let's move on a little bit to the issuer processing component within the banking segment. So, alongside the most the Q1 actually earnings call, you disclosed a little bit of a pie chart that was helpful in terms of the segment mix, was about 40% of the banking segment recurring revenue being transaction-based. Can you maybe just talk about some of the components, the components there in terms of the either the transaction-based fees, was it an issue of insurer processing? And then also, of course, the other side of that, which is the AOF side?

Stephanie Farris: Yeah, so we have a very large debit card portfolio. We also have a smaller credit card portfolio. Both of those are priced on a per-transaction basis. As you can imagine, this is more down in the community bank space for us. And this is a space we think should be growing even faster, as we think about it. But those are-- those are priced on per transaction. It's debit-- you using your debit cards from those banks. It's very consistent, has nice same-store sales growth in it. It's tied to consumer spend. The debit card portfolio for us is much bigger, because of where the company grew up in terms of, you know, primarily providing core, debit goes nicely. When FIS bought WorldPay, we had a very large debit card portfolio. That being said, we have a small credit card portfolio and we've made a significant investment in what we call Payments One, which is a payments product that combines debit, credit, prepaid, and as you as you know, we also have a large electronic benefit transaction, EBT, business. So our payment capabilities across the board in terms of the issuing side are very strong. I'd say they generally lean more towards debit and that's where you get the transaction growth.

Tim Chioda: Okay, excellent. Thank you, Stephanie. Let's move on to competition with some of the more modern competitors, whether it be Marketo or Galileo. Both of them have recently made comments about either traction with or potential future traction with traditional FIs, which will put them a little bit more into direct competition with you. We'd love to get your thoughts there.

Stephanie Farris: Yeah, it's really interesting. When you go and talk to financial institutions, every single bank you talk to is talking about deposits. And so where you used to show up and they would be talking to you about lending and loans, they're now talking about “I'd given out a loan and I want to figure out how to be the main operating account for that business.” And so instead of issuing, what they're talking to us about broadly, every single one of them is money movement capabilities. Because if you want to be the main core operating account for whatever commercial customer you want, whether small or large, you need to have all the money movement capabilities, including ACH, wire, real time payments, Fed Now, RTP. And you have to have those capabilities. So they're consumable not just through the treasury workstation the bank has typically sold out to their commercial customers, but also API-enabled. So, what I see as a trend is financial institutions getting very serious -- very, very serious about money movement and very suspect money movement, because fundamentally they want to gather deposits for obvious reasons. And so that's what we're talking to a lot of financial institutions about. Now issuing will come into play as we talk about that. That's a natural part, an extension of the money movement capabilities. But I'm not seeing- so that's where I see financial institutions are definitely focusing, up and down the scale.

In terms of the competitors you mentioned, we don't see those typically. But I'm sure there's a lot of opportunity out there, as every single bank looks for how they're going to continue to gather deposits and make more fee income, given the profitability challenges they're having and where rates sit.

Tim Chioda: Great. Thank you, Stephanie, for that context. Shifting away from the banking segment, let's talk about capital markets a little bit. You've talked about on numerous earnings calls, regulatory aspect that is helping to lead to greater demand for some of the capital markets offerings. Can you talk a little bit about some of those regulations, and just give us some examples, and some of the products that you have that can help solve that need?
Stephanie Farris: Yeah, absolutely. So kind of starting in the capital markets business, but now coming into banking as overall banking as well as looking at increased regulatory. You think about Basel III and all the new Basel regulatory requirements in the capital markets business. We had built out a very sophisticated set of risk and regulatory reporting, and that reporting now is componentized and modularized, and so it's not only available for consumption by very large global banks, who have to comply, but those risk and regulatory reports are also very consumable. And we pivoted them to be even, for example, ESG-type reporting, which every single bank plus every single corporate, we've made that available. So that risk and regulatory reporting, asset management, liability capabilities, as you think about the more sophisticated you are, we've built those for banks. They're in the cloud, they're enabled as a service. And now you have large, sophisticated corporates who are also in these types of areas, which is really TAM expansion for us. Think auto finance, think large corporate companies who are doing sophisticated derivatives hedging, they also need this regulatory type reporting, as well as ESG. So it's been really- we've been really successful, I would say, in terms of taking that capability, that set of products that we built specifically for risk and regulatory, and now using it and turning it to other people in the ecosystem who want to consume it.

Tim Chioda: Great. Well, sticking with capital markets, the RFPs that you enter and some of the competitors you see, and in the past we've talked about SS&C, Broadridge, and also some of the potential next gen competitors. Can you talk a little bit about that competitive set, who else you might run into if those are the basic competitors?

Stephanie Farris: Yeah. Capital markets, so we're going to we're going to spend more time in our Investor Day. It's a little bit of a great secret that we've kept here at FIS. It doesn't have a traditional set of competitors because of where it sits. So if you think about the three pieces of capital markets, we have trading and processing, which you can think about your traditional buy side/sell side, but a lot of those capabilities are now getting merged. And so we have capabilities that we built for buy side that we're selling to sell side. Also, private equity asset management capabilities. Capital Markets has spent the last 5 to 7 years really investing in, first, putting all of their products in the cloud componentizing it, and making it consumable in an as-a-service way, which has done multiple things. The first, it's moved the business from traditional license to recurring revenue, and you're seeing that come through the financials. I think we're up to about 72% recurring revenue at this point. It's also enabled- you don't have to take this very large piece of monolithic software that only a financial institution could run. And so trading and processing is one big piece of capital markets. That's where you would see our traditional competitors as you would think about SS&C and Broadridge. Then there's a risk and regulatory piece of the business, which where we have a very significant piece of software for treasury and treasurers, and that's where the risk and regulatory and the treasury all comes together and also payments is enabled in it. That has a totally different set of competitors. That is not what you consider traditional, but a very good set of competitors.

And then there's also commercial lending. So really thinking about very large-scale commercial lending capabilities, again, built for banks, but now being spread out. If you want to be a commercial lender, like an auto dealer, for example, auto finance companies, you want those capabilities. And that's another set of competitors.

We see- you know, there's a lot of activity in the capital markets business. There's a lot of private equity money going into that part of the business. We see a lot of really interesting small competitors coming up with certain product capabilities. But when you're talking about selling into this market, it's typically a fairly sophisticated corporate or it's a fairly sophisticated global bank, and so they're looking to try and get more than just one product from them. And we already have a lot of these relationships, so we think we're strategically advantaged. And that's a lot, too, of why we feel really comfortable and confident around capital markets continuing to grow in that mid-single digit range.

Tim Chioda: Great. Thank you, Stephanie. That was a great overview of capital markets, the offerings, and the competitors. Why don't we shift a little bit to capital allocation and James, maybe we can have a discussion there.
So as a recap, you've talked about debt repayment, getting leverage down to that kind of two and a half to three times as a target. Talked about the 35% dividend payout ratio. And also you've already guided to completing $3.5 billion of buybacks by the end of next year. But let's talk a little bit more about the M&A component. You talked about, on the last earnings call, targeting sort of 1 billion or less size acquisitions. So with that as a jumping off point, maybe you could elaborate?

James Kehoe: Yeah, thank you. I just want to emphasize first, though, what we said on the call was balance; it's the key part of it. You know, the company has had too much debt over an extended period and we have to reset the debt base. So I think post-WorldPay, we'll be in this region of very solid investment grade. And I know you probably saw from the most recent quarter our cash conversion cycle is up. Sorry, cash conversion is at historical highs. So as we look at it right now, we'll have repositioned our debt. Our cash generation is very strong, and probably stronger than we would have expected at this stage of the year. So looking forward, it gave us the substance to basically say we made a big step, we took the goal on share repurchase from 2.5 to 3.5. We do have market participants that say that's probably conservative, and it probably is. But within the capital allocation, we said we have to start generating faster growth on the top line. And that's a combination of capital investments, where future forward is really driven-driven prioritization and optimization of the capital. Now we're moving to and I really want to emphasize, the billion is a number of selective acquisitions. It's highly, highly unlikely we would do a $1 billion acquisition. It's more likely we would do four smaller ones or five smaller ones. And why? We're trying to speed up the development cycle. And by that, I mean will by a combination of very strategic assets that either bring a product or a people capability to speed up the development. You slot the product into the core product and we get massive synergies. So we're really focused on the synergies. We're going to get, because if we can plug it into our district, really it's massive distribution and it's global as well. And we're a scale player. You know, we look at if the NPV is X, the probably total value to us, us is to 2X; the synergies would drive at least the value of the of the core standalone NPV. So we don't really want to say what area we're getting into, but it's more likely linking back to what Stephanie said, it's more likely that the majority would be in capital markets. We think there is considerable potential to build out the suite of offerings in that sector.

Tim Chioda: Excellent. Thank you, James. Okay. So multiple smaller acquisitions more likely to be on the capital market side.

James Kehoe: Exactly.

Tim Chioda: Okay, excellent. All right, great. I think we can move into a little bit of 2024 revenue and we'll talk about the EPS. But let's just set the table and talk about some of the exit rates heading out of 2023. So within banking, the recurring revenue growth underlying looks to be in sort of the 3% range and much faster in capital markets, more in the kind of 7% range for the recurring revenue. You recently made the comment that you're not expecting the same type of drag that we've been seeing from the nonrecurring portions, and that should be something we should consider, as we think about 2024 revenue. So with that as kind of setting the table, is there any other comment you can make around the construct and the mechanics that we should be thinking about for next year?

James Kehoe: Well, I think I think what's clear, and this predates me, the company was very clear. We would have a lot of headwinds, cycling high levels of licensing or professional services in the prior year, as we work through 2023. You know, 2024 will have a- sorry, 2024. What we said was there will be greater alignment between recurring and the organic revenue growth. And the question is why? Even in Q4 of this year, we're lapping a very big licensing deal in capital markets. I think last year it drove five points of growth in the prior quarter, so we're lapping that. What we're really encouraged about is we did a core banking growth in Q3 of about 3%. We're going to do roughly the same in the fourth quarter. Capital markets, I think, has done eight quarters of a percent in excess of 8% growth. And we basically were calling a seven in Q4.
You know, if we look forward into the future, they’re growth rates that we're generally comfortable with, I think were the- on a recurring basis. I think we're the market has it's those well, how choppy is the licensing going to be, what's going to happen with professional services. As we move through the course of '24 where you're going to see great, much greater alignment between the two numbers, so the choppiness will subside, we'll be lapping less licensing deals. You'll always have it in an individual quarter. Where you have a two point shift in this courtroom, maybe two points positive in the next. And I think that's what I would caution the participants is, one quarter does not the year make. And I think over the course of the year, we're looking to see, you know, as you plot out your models, if you pick a recurring number, the organic is going to be trending much closer this year.

Tim Chioda: That's really helpful, James. Thank you. So I think it's a great way to start things off on the revenue growth for next year. Let's talk a little bit about EPS. You talked about on the last earnings call, with the very helpful slides, with the underlying base earnings power of about $4.40 to $4.55. What is a good way to start thinking about the growth of that number, as we look into 2024, 2025?

James Kehoe: Well, I guess that's a little bit your job.

Tim Chioda: Yep.

James Kehoe: But aside from that, what we wanted to do on the call was to clear up - there was a lot of noise around our numbers and we wanted to stabilize the amount of data that was out there. And I hope you appreciate, we gave a lot of additional input. But upfront, I want to say we will definitely grow EPS from that base. So it's not- that's not the absolute number from the exit for next year. The only two numbers we didn't give is revenue growth and EBITDA growth, and I'll come back to that. We gave a new, lower tax rate. You have guidance on interest. You have guidance on D&A. We told you how many buybacks were going to do. We told you the world pay contribution is $0.60 to $0.65 in '23. So that's one dynamic you have. You'll have to estimate how much do you expect WorldPay to grow next year? You might want to take a position on what are they going to do, 3.5 billion of buybacks or might they do more? And then you get into the core revenue. I- we want to avoid giving guidance here. There is long term guidance out there of 3 to 5. I don't anticipate that we have particular problems in achieving that. We also gave guidance on something else, which is future forward, and I don't think the market quite appreciates the follow- how much it underpins the future growth. And what I mean is it's not a cost program, I've learned since I've come in. It's driving a reorganization of the operating model, so it's improving customer service. It's actually driving revenue in select cases and it's giving a cost reduction at the end of it. But the program is driving operational excellence across the company. And we delivered year to date 55 million of savings, year-to-date. The full year is 100, and we expect an incremental 215 next year. And that will more than offset any dis-synergies coming from the WorldPay transaction. So it's a long-winded way of saying that we will have revenue growth and we will have margin growth. And I think you saw it in the quarter, banking margins were up 120 basis points. We actually said that we expect overall company margins to be higher than prior year in the fourth quarter. There's no reason to assume that we wouldn't be doing something similar during the course of 2024. But we can't give explicit numbers.

Tim Chioda: Thank you, James. That's really helpful context. Related to that, you talked a little bit about the EBITDA margin expansion. You've made comments in the past that there's sort of more muted margin expansion expectations within the capital market segment, which would suggest that we should see more of the margin expansion in banking or through the corporate and other line. Maybe you could just expand upon that.

James Kehoe: Well, I think all of the units are managing lower margin structures through future forward, but they're doing it in different ways. And I think it gets back to, you've got to recognize the sector as you're operating in. Banking is slower revenue growth than capital markets, so you would be focusing more of your cost and operating model changes in your slower-growing unit.
You know, I think if you focus too much on costs and capital markets, you run the risk of slowing down the revenue growth. So that's the main reason why you'll see proportionately less between the two. And I think, you know, looking internally in corporate, there's a big opportunity in corporate that remains. You know, some of that has been tapped. But, you know, we have large opportunities in corporate downsizing or optimization.

The one point on capital markets I'd make is, if you look at it, the unit compared to competition, it's got the highest margins in the sector. So the starting point is, I believe over the last 3 or 4 years, they expanded margins by about 500 basis points. So I think you need a dose of realism. You got to stop and say, “okay, if I want to drive a seven growth going forward, I can't be targeting continual margin expansion.” And what Stephanie said before, we're at 72%, roughly, of recurring revenue. As you shift from license to recurring revenue, you're actually reducing your margins. So, I think a reasonable hypothesis is hold your margins flattish on capital markets, because the starting point is very high.

**Tim Chioda:** Okay, that's great context. Thank you so much. We don't have a ton of time left here, but I think we can wrap and just move over to WorldPay briefly. So WorldPay will still be a meaningful part of your EPS with the maintaining of the 45% stake. So maybe we could just touch briefly in the final moments here around competition with the e-commerce business there, whether it be Braintree, with their recent accelerated growth, or [Audience] recent results, but also just the general concept of some of your competitors being able to bundle other offerings, whether it be FiServe, with the [Star in a cell, or Braintree with the branded PayPal button. We'd love your thoughts on the competitive environment.

**Stephanie Farris:** Yeah, no, I think acquiring is competitive. It's been competitive, it's always been competitive. And when you're a large-scale player, you have to figure out how to compete and what your value proposition is. And each segment, as you know, WorldPay operates in multiple segments, not just monoline. I think that each segment, you have to be really competitive and you have to use all your levers.

On the e-commerce side, we had a great third quarter, as you know, where we're the largest global e-com acquirer and it's been competitive. So we didn't see the same shocks that everybody else saw. But I think that's really because we are a competitive-scale player and we know how to compete. We know what our bundle is.

Same thing in terms of as you think about large card present enterprise players or SMB. I mean, each place, depending upon where you're competing, you're absolutely right. You have to have a very competitive bundle. And it depends on what you as a company are trying to accomplish. So I think for WorldPay, they will continue to be a very significant part of the segment. I'm really happy that we were able to get and we'll be able to get the transaction done, like we said, in the first quarter, I think it significantly changes the strategic trajectory of not just FIS, because to James's point, we needed to restructure the balance sheet, get ourselves back into investment grade, but allows us to allocate capital properly between FIS and WorldPay. And Tim, you've heard me talk before about just the lack of capital allocation through M&A to WorldPay and broadly, to WorldPay as under the FIS umbrella has been the challenge in terms of them keeping their growth up. But they are large-scale and very competitive. And I think with us being an owner and a private equity being an owner and having a lot more M&A capital as well as an ability to invest organically, you're going to see they're going to have a significant ability to return to what I would consider market growth for them. So lots of opportunity, very excited for them.

**Tim Chioda:** Great. Well, thank you, Stephanie. On behalf of our team and everyone here at UBS, I want to thank Stephanie, James and George for making the trip here to Arizona. It's been a pleasure hosting you.

**Stephanie Farris:** Yeah, thanks for coming.