

Fourth Quarter and Full Year 2018 Financial Results Conference Call

February 7, 2019

Forward-Looking Statements and Non-GAAP Financial Measures

Forward-Looking Statements

This presentation contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding anticipated internal revenue growth, adjusted EPS, adjusted EPS growth, free cash flow conversion and adjusted operating margin expansion. Statements can generally be identified as forward-looking because they include words such as “believes,” “anticipates,” “expects,” “could,” “should” or words of similar meaning. Statements that describe the company’s future plans, objectives or goals are also forward-looking statements. Forward-looking statements are subject to assumptions, risks and uncertainties that may cause actual results to differ materially from those contemplated by such forward-looking statements.

The factors that could cause Fiserv’s actual results to differ materially include, among others: the possibility that Fiserv and First Data Corporation may be unable to achieve expected synergies and operating efficiencies from the proposed merger within the expected time frames or at all or to successfully integrate the operations of First Data Corporation into those of Fiserv; such integration may be more difficult, time-consuming or costly than expected; revenues following the transaction may be lower than expected, including for possible reasons such as unexpected costs, charges or expenses resulting from the transaction; operating costs, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, clients or suppliers) may be greater than expected following the transaction; the retention of certain key employees; the occurrence of any event, change or other circumstances that could give rise to the termination of the merger agreement; the outcome of any legal proceedings that may be instituted against Fiserv, First Data Corporation and others related to the merger agreement; unforeseen risks relating to liabilities of Fiserv or First Data Corporation may exist; shareholder approval or other conditions to the completion of the transaction may not be satisfied, or the regulatory approvals required for the transaction may not be obtained on the terms expected or on the anticipated schedule; the amount of the costs, fees, expenses and charges related to the transaction, including the costs, fees, expenses and charges related to any financing arrangements entered into in connection with the transaction; the parties’ ability to meet expectations regarding the timing, completion and accounting and tax treatments of the transaction.

Forward-Looking Statements and Non-GAAP Financial Measures

Forward-Looking Statements (cont.)

Fiserv and First Data Corporation are subject to, among other matters, changes in customer demand for their products and services; pricing and other actions by competitors; general changes in local, regional, national and international economic conditions and the impact they may have on Fiserv and First Data Corporation and their customers and Fiserv's and First Data Corporation's assessment of that impact; rapid technological developments and changes, and the ability of Fiserv's and First Data Corporation's technology to keep pace with a rapidly evolving marketplace; the impact of a security breach or operational failure on Fiserv's and First Data Corporation's business; the effect of proposed and enacted legislative and regulatory actions in the United States and internationally affecting the financial services industry as a whole and/or Fiserv and First Data Corporation and their subsidiaries individually or collectively; regulatory supervision and oversight, and Fiserv's and First Data Corporation's ability to comply with government regulations; the impact of Fiserv's and First Data Corporation's strategic initiatives; Fiserv's and First Data Corporation's ability to continue to introduce competitive new products and services on a timely, cost-effective basis; the ability to contain costs and expenses; the protection and validity of intellectual property rights; the outcome of pending and future litigation and governmental proceedings; acts of war and terrorism; and other factors included in "Risk Factors" in Fiserv's and First Data Corporation's respective filings with the SEC, including their respective Annual Reports on Form 10-K for the year ended December 31, 2017, and in other documents that the companies file with the SEC, which are available at <http://www.sec.gov>. You should consider these factors carefully in evaluating forward-looking statements and are cautioned not to place undue reliance on such statements. Fiserv assumes no obligation to update any forward-looking statements, which speak only as of the date of this presentation.

Non-GAAP Financial Measures

This presentation includes the following non-GAAP financial measures: "adjusted revenue," "internal revenue," "adjusted operating income," "adjusted operating margin," "adjusted EPS," "adjusted EPS, before Lending Transaction impact," "adjusted EPS, as adjusted for the Lending Transaction," "adjusted net income," "adjusted net income, before Lending Transaction impact," "free cash flow" and "free cash flow conversion." These non-GAAP measures are indicators that management uses to provide additional comparisons between current results and prior reported results and as a basis for planning and forecasting future periods. We believe that these measures provide additional insight into our operating performance. Additional information about these measures and reconciliations to the nearest GAAP financial measures, to the extent available, are provided in the appendix to this presentation.

4Q-18 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
4Q-18	\$1,472	\$1,435	\$0.84
4Q-17	\$1,443	\$1,374	\$0.68
Change	2%	4.5%	24%

\$ in millions, except per share amounts. In the first quarter of 2018, the company completed a two-for-one stock split. Accordingly, all share and per share amounts are presented on a split-adjusted basis.

See appendix for information regarding non-GAAP measures.

2018 Key Financial Metrics

	Adjusted Revenue	Internal Revenue	Adjusted EPS
2018	\$5,541	\$5,385	\$3.10
2017	\$5,423	\$5,151	\$2.48
Change	2%	4.5%	25%

\$ in millions, except per share amounts. In the first quarter of 2018, the company completed a two-for-one stock split. Accordingly, all share and per share amounts are presented on a split-adjusted basis.

See appendix for information regarding non-GAAP measures.

Other Financial Metrics

	Free Cash Flow Conversion	Adjusted Operating Margin
2018	102%	32.5%
2017	111%	32.8%
Change ¹	(9)%	(30) bps

See appendix for information regarding non-GAAP measures.

¹Free cash flow conversion change represents the change in percentage points.

Internal Revenue Growth by Segment

Segment	4Q-18	2018
Payments	6%	5%
Financial	3%	4%
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Total Company	4.5%	4.5%

See appendix for information regarding non-GAAP measures.

4Q-18 Adjusted Operating Margin

Segment	4Q-18	4Q-17	Change (bps)
Payments	36.4%	36.4%	—
Financial	33.7%	35.1%	(140)
Total Company	33.4%	34.0%	(60)

See appendix for information regarding non-GAAP measures.

2018 Adjusted Operating Margin

Segment	2018	2017	Change (bps)
Payments	35.3%	35.1%	20
Financial	33.3%	33.5%	(20)
Total Company	32.5%	32.8%	(30)

See appendix for information regarding non-GAAP measures.

2019 Performance Outlook

Key Financial Metrics

Growth

Internal Revenue

4.5 - 5%

Adjusted EPS¹

10 - 14%

Other Financial Metrics

Target

Free Cash Flow Conversion

>105%

Adjusted Operating Margin Expansion

>50 bps

¹Reflects performance as compared to 2018 adjusted for the company's sale of a 55 percent interest of its Lending Solutions business. See page 14 for additional information.

The company's outlook for 2019 does not include any impact related to its proposed transaction with First Data Corporation.



Appendix

Internal Revenue Growth

Internal revenue growth is measured as the increase in adjusted revenue for the current period excluding acquired revenue and revenue attributable to dispositions, divided by adjusted revenue from the prior year period excluding revenue attributable to dispositions. Revenue attributable to dispositions includes transition services revenue within Corporate and Other.

In the fourth quarter of 2018, acquired revenue was \$29 million (all in the Payments segment). Revenue attributable to dispositions was \$8 million (all in Corporate and Other) and \$69 million (all in the Financial segment) in the fourth quarter of 2018 and 2017, respectively, primarily from the sale of a 55 percent interest of the company's Lending Solutions business (the "Lending Transaction").

Full year 2018 acquired revenue was \$74 million (\$71 million in the Payments segment and \$3 million in the Financial segment). Revenue attributable to dispositions was \$82 million (\$54 million in the Financial segment and \$28 million in Corporate and Other) and \$272 million (all in the Financial segment) for the full years ending 2018 and 2017, respectively, primarily from the Lending Transaction.

See page 3 for information regarding non-GAAP financial measures.

Adjusted EPS

	<u>4Q-18</u>	<u>4Q-17</u>	<u>2018</u>	<u>2017</u>
GAAP EPS from continuing operations	\$ 0.71	\$ 1.25	\$ 2.87	\$ 2.86
Adjustments - net of income taxes:				
Merger, integration and other costs ¹	0.03	0.03	0.17	0.11
Severance costs	0.01	—	0.03	0.04
Amortization of acquisition-related intangible assets	0.08	0.07	0.31	0.25
Loss on early debt extinguishment ²	0.01	—	0.03	—
Gain on sale of businesses ³	—	—	(0.37)	(0.01)
Unconsolidated affiliate activities ⁴	0.01	—	0.01	(0.05)
Tax reform ⁵	—	(0.65)	0.05	(0.64)
Adjusted EPS, before Lending Transaction impact	<u>0.84</u>	<u>0.71</u>	<u>3.10</u>	<u>2.56</u>
Lending Transaction impact ⁶	—	(0.03)	—	(0.08)
Adjusted EPS	<u>\$ 0.84</u>	<u>\$ 0.68</u>	<u>\$ 3.10</u>	<u>\$ 2.48</u>

Earnings per share is calculated using actual, unrounded amounts. In the first quarter of 2018, the company completed a two-for-one stock split. Accordingly, all share and per share amounts are presented on a split-adjusted basis.

See page 3 for information regarding non-GAAP financial measures.

¹Merger, integration and other costs include acquisition and related integration costs of \$46 million in 2018 and \$47 million in 2017, and certain costs associated with the achievement of the company's operational effectiveness objectives of \$43 million in 2018 and \$27 million in 2017, primarily consisting of expenses related to data center consolidation activities.

²Represents the loss on early debt extinguishment associated with the company's cash tender offer for and redemption of its \$450 million aggregate principal amount of 4.625% senior notes.

³Represents the gains on the Lending Transaction in 2018 and the sale of the company's Australian item processing business in 2017.

⁴Represents the company's share of the net gains on the sales of businesses at StoneRiver Group, L.P., a joint venture in which the company owns a 49 percent interest, and the company's share of amortization of acquisition-related intangible assets on the Lending Transaction.

⁵Represents discrete income tax effects associated with U.S. federal tax reform and subsequent guidance issued by the Internal Revenue Service.

⁶Represents the earnings attributable to the disposed 55 percent interest of the company's Lending Solutions business.

Adjusted EPS Excluding the Lending Transaction

2018 adjusted EPS ¹	\$	3.10
Lending Transaction impact		(0.02)
2018 adjusted EPS, as adjusted for the Lending Transaction	\$	<u>3.08</u>
2019 adjusted EPS outlook		\$3.39 - \$3.52
2019 adjusted EPS growth outlook		10% - 14%

¹See page 13 for a reconciliation of GAAP EPS from continuing operations to adjusted EPS.

See page 3 for information regarding non-GAAP financial measures.

Adjusted Net Income

	4Q-18	4Q-17	2018	2017
GAAP income from continuing operations	\$ 286	\$ 532	\$ 1,187	\$ 1,232
Adjustments:				
Merger, integration and other costs ¹	14	22	89	74
Severance costs	2	2	17	24
Amortization of acquisition-related intangible assets	43	42	163	159
Loss on early debt extinguishment ²	6	—	14	—
Tax impact of adjustments ³	(15)	(22)	(63)	(85)
Gain on sale of businesses ⁴	—	—	(227)	(10)
Tax impact of gain on sale of businesses ³	—	—	77	5
Unconsolidated affiliate activities ⁵	4	(1)	7	(32)
Tax impact of unconsolidated affiliate activities ³	(1)	—	(2)	11
Tax reform ⁶	—	(275)	19	(275)
Adjusted net income, before Lending Transaction impact	<u>339</u>	<u>300</u>	<u>1,281</u>	<u>1,103</u>
Lending Transaction impact ⁷	—	(16)	—	(50)
Taxes on Lending Transaction impact ³	—	5	—	17
Adjusted net income	<u>\$ 339</u>	<u>\$ 289</u>	<u>\$ 1,281</u>	<u>\$ 1,070</u>

\$ in millions. See page 3 for information regarding non-GAAP financial measures.

¹Merger, integration and other costs include acquisition and related integration costs of \$46 million in 2018 and \$47 million in 2017, and certain costs associated with the achievement of the company's operational effectiveness objectives of \$43 million in 2018 and \$27 million in 2017, primarily consisting of expenses related to data center consolidation activities.

²Represents the loss on early debt extinguishment associated with the company's cash tender offer for and redemption of its \$450 million aggregate principal amount of 4.625% senior notes.

³The tax impact of adjustments is calculated using tax rates of 22 percent and 33 percent in 2018 and 2017, respectively, which approximates the company's annual effective tax rate for the respective years, exclusive of U.S. federal tax reform effects and the actual tax impacts associated with the gain on sale of businesses and unconsolidated affiliate activities.

⁴Represents the gains on the Lending Transaction in 2018 and the sale of the company's Australian item processing business in 2017.

⁵Represents the company's share of the net gains on the sales of businesses at StoneRiver Group, L.P., a joint venture in which the company owns a 49 percent interest, and the company's share of amortization of acquisition-related intangible assets on the Lending Transaction.

⁶Represents discrete income tax effects associated with U.S. federal tax reform and subsequent guidance issued by the Internal Revenue Service.

⁷Represents the earnings attributable to the disposed 55 percent interest of the company's Lending Solutions business.

Free Cash Flow Conversion

	2018	2017
Net cash provided by operating activities	\$ 1,552	\$ 1,483
Capital expenditures	(360)	(287)
Adjustments:		
Severance, merger and integration payments	106	84
StoneRiver cash distributions	(2)	(45)
Tax reform payments	23	—
Other	—	(3)
Tax payments on adjustments	(11)	(9)
Free cash flow	<u>\$ 1,308</u>	<u>\$ 1,223</u>
Adjusted net income, before Lending Transaction impact ¹	<u>\$ 1,281</u>	<u>\$ 1,103</u>
Free cash flow conversion	102%	111%
GAAP income from continuing operations	\$ 1,187	\$ 1,232
Ratio of net cash provided by operating activities to GAAP income from continuing operations	131%	120%
Weighted average diluted shares outstanding	413.7	431.3

\$ in millions. Free cash flow conversion is defined as free cash flow divided by adjusted net income before Lending Transaction impact.

See page 3 for information regarding non-GAAP financial measures.

¹See page 15 for adjusted net income reconciliation.

Adjusted Revenue and Adjusted Operating Income

Total Company

	4Q-18	4Q-17	2018	2017
Revenue	\$ 1,551	\$ 1,516	\$ 5,823	\$ 5,696
Output Solutions postage reimbursements	(79)	(77)	(285)	(281)
Deferred revenue purchase accounting adjustments	—	4	3	8
Adjusted revenue	<u>\$ 1,472</u>	<u>\$ 1,443</u>	<u>\$ 5,541</u>	<u>\$ 5,423</u>
Operating income	\$ 431	\$ 425	\$ 1,753	\$ 1,532
Merger, integration and other costs	16	22	94	74
Severance costs	2	2	17	24
Amortization of acquisition-related intangible assets	43	42	163	159
Gain on sale of businesses	—	—	(227)	(10)
Adjusted operating income	<u>\$ 492</u>	<u>\$ 491</u>	<u>\$ 1,800</u>	<u>\$ 1,779</u>
Operating margin	27.8%	28.1%	30.1%	26.9%
Adjusted operating margin	33.4%	34.0%	32.5%	32.8%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

See page 3 for information regarding non-GAAP financial measures.

Adjusted Revenue and Adjusted Operating Income by Segment

Payments Segment

	4Q-18	4Q-17	2018	2017
Revenue	\$ 944	\$ 865	\$ 3,467	\$ 3,234
Output Solutions postage reimbursements	(79)	(77)	(285)	(281)
Deferred revenue purchase accounting adjustments	—	4	3	8
Adjusted revenue	<u>\$ 865</u>	<u>\$ 792</u>	<u>\$ 3,185</u>	<u>\$ 2,961</u>
Operating income	\$ 315	\$ 284	\$ 1,122	\$ 1,034
Merger, integration and other costs	—	4	2	7
Adjusted operating income	<u>\$ 315</u>	<u>\$ 288</u>	<u>\$ 1,124</u>	<u>\$ 1,041</u>
Operating margin	33.4%	33.0%	32.3%	32.0%
Adjusted operating margin	36.4%	36.4%	35.3%	35.1%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

See page 3 for information regarding non-GAAP financial measures.

Adjusted Revenue and Adjusted Operating Income by Segment

Financial Segment

	4Q-18	4Q-17	2018	2017
Revenue	\$ 615	\$ 668	\$ 2,395	\$ 2,530
Operating income	\$ 208	\$ 235	\$ 798	\$ 849
Operating margin	33.7%	35.1%	33.3%	33.5%

\$ in millions. Operating margin percentages are calculated using actual, unrounded amounts.

For all periods presented in the Financial Segment, there were no adjustments to GAAP measures presented and thus the adjusted measures are equal to the GAAP measures presented.

See page 3 for information regarding non-GAAP financial measures.