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CASE STUDY 05 · FISERV, INC. (NASDAQ: FISV)

Q2 2026 PRINT ADDENDUM · AUGUST 6, 2026

The valuation play just got cheaper: FCF, debt paydown, and buybacks.

A quarterly-refresh addendum to Institute Case Study 05.

Prepared August 6, 2026 · FISV pre-market \$47.14 (down 13% on Q2 print) · Q2 reported August 6 pre-market

INDEPENDENT EDITORIAL ANALYSIS

Not investment advice · Author owns FISV, added at \$47.30 pre-market Aug 6 2026 · Lowe v. SEC publisher ex-2026 The Baratelli Institute

Q2 2026 — the case, stress-tested and repriced.

Fiserv reported Q2 2026 pre-market on August 6, 2026. The print was disappointing on the operating fundamentals and management lowered full-year guidance. The stock opened down 13% at approximately \$47.14, essentially at its 52-week low of \$47.04 and down 66% from the \$140.42 all-time high. **The author added to the FISV position at \$47.30 in pre-market trading.** The Institute's Fiserv case memo, published May 2026, rested on a specific operational identity: **a valuation play that generates free cash flow, repays debt, and buys back stock**, backed by a sticky recurring-revenue services base (~80% of revenue). The Q2 print stress-tested that frame. The reprice created the opportunity to act on it. Three items from the release worth naming up front. **(a)** Organic revenue was down 5% in Q2 (-1% Merchant, -8% Financial), and management lowered full-year 2026 organic revenue guidance to (1%) to 0% (from 1–3%) and adjusted EPS to \$7.20–\$7.40 (from \$8.00–\$8.30). **(b)** The Financial Solutions segment operating margin compressed to 38.7% from 48.7% year-over-year — ~1,000 basis points. This is the number that drove the market's reaction. **(c)** The company recorded a \$154M gain on early debt extinguishment from the June/July tender for \$1.41B of 2027 and 2049 notes at 87 cents on the dollar, and issued €1.0B of new 4- and 8-year notes at 4.0% weighted-average coupon. The debt-management engine is still running. Below is the three-pillar refresh anchored on trailing-twelve-month numbers at the \$47.30 buy price.

The three-pillar case, refreshed at \$47.30:

(1) Cheap valuation. At \$47.30, market cap ~\$25.2B; enterprise value ~\$52.5B (including ~\$27.3B net debt). TTM adjusted EPS \$7.66 = **6.2× trailing P/E**. Forward P/E on the midpoint of updated 2026 guidance (\$7.30) = **6.5×**. EV/Adjusted EBITDA ~6.6×. Historical FISV mid-cycle range: 12–15×. This is the lowest multiple FISV has ever traded at.

(2) FCF machine (slowed, not broken). TTM FCF **\$4.25B** against a \$25.2B market cap = **16.8% FCF yield**. Down from \$5.30B TTM FCF a year ago (-20%) — the trajectory is not flattering. But the absolute level is exceptional for a payments-infrastructure company. Peer comparison at the FCF-yield line: PYPL ~7%, V ~3%, MA ~2.5%, ADP ~3%, GPN ~7%. FISV out-yields the entire payments peer set by 2–5×.

(3) Capital return (paused during transformation). TTM buybacks \$1.5B (down from \$6.9B TTM a year ago). The pace is dramatically slowed, coinciding with the One Fiserv transformation program (\$329M of transformation cost in H1 2026 alone). H1 2026 also saw \$1.41B principal of long-dated debt tendered at a discount — capital is being redirected from buybacks to balance-sheet cleanup during the transformation. Whether this is a permanent policy change or a temporary reallocation is the primary question the earnings call needs to answer. Buyback authorization remaining as of 12/31/2025 was 45.9M shares.

Anchor Table 1 — Quarterly progression Q2 2025 through Q2 2026 (adjusted basis).

Adjusted revenue, adjusted EPS, and adjusted operating margin, quarter by quarter, with TTM Jun'26 and TTM Jun'25 for the year-over-year read. All figures from Q2 2026 earnings presentation (August 6, 2026, pp.5, 12, 19–20). 'Adjusted' excludes acquisition-related intangible amortization, merger/integration costs, One Fiserv transformation program expenses, severance, and other non-recurring items.

Metric	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26	TTM Jun'26	TTM Jun'25
Adjusted revenue (\$M)	5,196	4,919	4,900	4,675	4,963	19,457	20,468
Adjusted EPS (\$)	2.47	2.04	1.99	1.79	1.84	7.66	9.61
Adj. operating margin	39.6%	37.0%	34.9%	29.7%	31.8%	~33.4%	~39.0%
Organic revenue growth	+8%	+4%	+1%	(2%)	(5%)	n/a	n/a

The trajectory tells the story. Adjusted revenue has been sequentially soft since Q2'25 peak. Adjusted EPS is down 26% year-over-year in the quarter, 21% year-to-date. Operating margins compressed 780 basis points versus prior-year Q2. This is a transformation-year print — the One Fiserv program is disrupting operating cadence while the CEO transition (Takis Georgakopoulos took the seat in 2025) works through. Whether the underlying franchise is impaired or the transformation costs are one-time is the read the reader has to make.

Anchor Table 2 — TTM free cash flow bridge (the ‘still generates FCF’ pillar).

Operating cash flow, capex, and free cash flow on a trailing-twelve-month basis through June 2026 versus June 2025. Per Q2 2026 earnings presentation p.22.

(\$M, TTM basis)	Jun 2026	Jun 2025	Change
Net cash from operating activities	5,831	6,772	(941)
Capital expenditures	(1,905)	(1,615)	(290)
Distributions to non-controlling interests	(10)	(14)	+4
Distributions from unconsolidated affiliates	37	34	+3
Severance / M&A payments	200	163	+37
One Fiserv transformation payments	168	—	+168
Tax payments on adjustments	(72)	(33)	(39)
Other	1	(8)	+9
Free cash flow (TTM)	4,250	5,299	(1,049)
FCF conversion (% of adj. net income)	99%	103%	(4pp)
FCF yield on market cap @ \$47.30	16.8%	n/a	n/a

TTM FCF of \$4.25B is down \$1.05B (-20%) versus the year-ago period. The decline is driven by (a) lower OCF (-\$941M, tracking the softer adjusted operating income) and (b) higher capex (+\$290M). Capex intensity has stepped up as the One Fiserv transformation invests in technology infrastructure. FCF conversion remained strong at 99% of adjusted net income — the cash-conversion machinery is still working; the input (adjusted net income) is lower. **At \$47.30 the market cap of \$25.2B implies a 16.8% FCF yield on TTM cash generation.** Peer set anchors for reader context: consumer-staples FCF yields typically 3–5%; payments infrastructure peers (V, MA, PYPL, GPN, ADP) 2–7%. FISV out-yields the peer set by 2–5× on TTM FCF-to-market-cap.

Anchor Table 3 — Historical capital allocation: FCF → debt paydown → buybacks.

The five-year capital-allocation record. FCF generation across the cycle, buyback execution, debt movement. Historical figures from FY 2022–2025 10-Ks. TTM Jun’26 from Q2 2026 earnings presentation. The pattern the memo argued for was consistent: FCF generated, debt paid down opportunistically, remainder to buybacks. The Q2 print asks whether that pattern is intact.

FY / period	FCF (\$B)	Buybacks (\$B)	Shares Retired (M)	Avg buyback price (\$)	YE Debt (\$B)
2022	3.4	2.1	18.5	~113	~24.1
2023	4.0	2.6	22.0	~118	~24.6
2024	5.2	5.5	33.9	~164	~26.4
2025	4.4	5.6	32.2	173.91	~29.0
H1 2026	1.4	0.3	5.0	~60*	~27.9
TTM Jun’26	4.25	1.5	n/a	n/a	~27.9

* H1 2026 average buyback price is not directly disclosed; approximation from \$300M spent to retire 5.0M shares. Read: *FY 2022–2025 the pattern was consistent* — \$3.4–\$5.6B of buybacks per year, dwarfing the FCF generated in some years (net debt drifted higher when buybacks outran FCF). H1 2026 marks a material pivot: buybacks \$300M vs. the multi-billion prior pace. The offsetting capital use is the debt work — \$1.41B principal of long-dated 2027 and 2049 notes tendered at 87 cents on the dollar in June/July for total consideration of \$1.23B, generating a \$154M gain on early extinguishment. Simultaneously the company issued €1.0B of new 4- and 8-year notes at 4.0% weighted-average coupon. Net effect: maturity profile cleaned up ahead of the 2027 wall; capital temporarily redirected from equity buybacks to balance-sheet management.

Anchor Table 4 — Valuation snapshot at \$47.30 (author's pre-market buy price).

Market cap and enterprise value math at the author's pre-market buy price. Multiples on TTM Jun'26 numbers plus the updated 2026 midpoint guidance. Peer set comparison at the FCF-yield line.

Metric	At \$47.30	Reference
Shares outstanding (Q2'26 diluted)	533.7M	Q2'26 press release p.6
Market capitalization (\$B)	25.2	\$47.30 × 533.7M
Total debt (\$B)	27.9	6/30/26 balance sheet
Cash & equivalents (\$B)	0.6	6/30/26 balance sheet
Net debt (\$B)	27.3	—
Enterprise value (\$B)	52.5	Market cap + net debt
TTM adjusted EPS (\$)	7.66	Q2'26 pres. p.20
TTM P/E	6.2x	\$47.30 / \$7.66
FY 2026E adjusted EPS midpoint (\$)	7.30	Updated guide \$7.20–\$7.40
Forward P/E (2026E mid)	6.5x	\$47.30 / \$7.30
Historical FISV mid-cycle P/E range	18–25x	FY 2020–2024 avg
TTM FCF (\$B)	4.25	Q2'26 pres. p.22
FCF yield (TTM FCF / market cap)	16.8%	—
FCF yield on EV (TTM FCF / EV)	8.1%	—

Payments-infrastructure peer FCF-yield comparison

Peer (Ticker)	FCF yield (approx)	Note
Fiserv (FISV)	16.8%	@ \$47.30, TTM Jun'26
Global Payments (GPN)	~7%	Direct payments-infrastructure peer
PayPal (PYPL)	~7%	Digital payments
Automatic Data Processing (ADP)	~3%	Adjacent recurring-revenue infra
Visa (V)	~3%	Network monopoly premium
Mastercard (MA)	~2.5%	Network monopoly premium

Peer FCF yields are approximations from recent trailing periods and vary with share-price movement. Directional read: FISV at 16.8% out-yields the entire payments-infrastructure peer set by 2–7×. The peer set is not perfect — V and MA have superior economics that justify their premium multiples; GPN has its own integration overhang. But no other payments-infrastructure name approaches a 16.8% FCF yield. That is what the market is pricing in the wake of the Q2 print: either the cash generation is

not durable through the One Fiserv transformation, or the anchoring is wrong. Which read is right is the practitioner's decision.

Read against the memo.

The May 2026 case memo framed Fiserv as a valuation-play cash machine with buyback discipline supporting a sticky recurring-revenue services base. The Q2 print stress-tested three of the four elements. Here is the honest read on each:

(1) Cheap valuation — stronger. The reprice materially improved the valuation case even as the operating case weakened. TTM P/E of 6.2x and forward P/E of 6.5x on the updated guide are the lowest multiples FISV has ever traded at. Whether the multiple is justified depends on whether the operating trajectory recovers as One Fiserv transformation costs roll off — but the multiple itself is unambiguous. Author's action: added to position at \$47.30 pre-market.

(2) FCF generation — slowed, still material. TTM FCF of \$4.25B is down 20% year-over-year but remains exceptional for a payments-infrastructure name at 16.8% yield to market cap. FCF conversion remained 99% of adjusted net income. The cash-generation machinery works; the input has softened. The pillar is intact but no longer accelerating.

(3) Capital return — paused, not broken. Buybacks dropped from \$6.9B TTM to \$1.5B TTM as capital was redirected to (a) One Fiserv transformation program expenses (\$329M H1) and (b) discretionary debt tender (\$1.41B principal of long-dated notes tendered at 87 cents on the dollar). Buyback authorization remaining at 12/31/25 was 45.9M shares. The primary open question the earnings call needs to answer: when does buyback pace normalize back to the historical \$4–\$6B annual run rate? If Q3 or Q4 2026: pillar intact. If FY 2027 or later: pillar materially weakened.

(4) Sticky services (context) — bifurcating. Merchant Solutions organic revenue -1% (essentially flat) with margin compression contained. Financial Solutions organic revenue -8% with margin down ~1,000 bps to 38.7% from 48.7%. The half of Fiserv that maps to Clover and merchant acquiring is holding. The half that maps to core banking, account processing, and legacy financial-institution services is stressed. Whether Financial Solutions stabilizes in H2 2026 or continues to erode is the medium-term determinant of whether the sticky-services thesis holds.

Segment breakdown — Q2 2026 vs Q2 2025.

Segment	Q2 2026 Rev (\$M)	Q2 2025 Rev (\$M)	Organic growth	Op. margin
Merchant Solutions	2,608	2,644	(1)%	30.0% (was 34.6%)
Financial Solutions	2,355	2,552	(8)%	38.7% (was 48.7%)
Corp / Other (net)	—	—	—	loss \$(113)M adj
Total company	4,963	5,196	(5)%	31.8% (was 39.6%)

The two-segment mix is the story of the print. Merchant Solutions (Clover, merchant acquiring, Commerce Hub) is holding at effectively flat organic revenue with manageable margin compression. Financial Solutions (core banking, account processing, network services) is deteriorating on both revenue and margin lines. The One Fiserv transformation is heavily focused on Financial Solutions modernization — the near-term expense drag and revenue disruption are what the market is pricing.

Sources.

Fiserv, Inc. Q2 2026 earnings press release, August 6, 2026. Fiserv Q2 2026 earnings presentation, August 6, 2026 (pages 5, 8, 9, 12, 19–22, 24 cited above). The Fiserv Q2 2026 10-Q, filed August 6, 2026 with the SEC. Historical capital allocation data from FY 2022–FY 2025 10-K filings. Institute Case Study 05 — Fiserv Valuation Memo (published May 2026), Fiserv Valuation Model, Fiserv Library Crosswalk. Peer FCF-yield approximations sourced from recent trailing-period disclosures across V, MA, PYPL, GPN, ADP earnings releases and 10-K/10-Q filings.

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