

Initiated 2026-10-13 · Price \$34.26 (close 2026-10-12, stockanalysis.com) · Mkt cap \$17.7bn · Financials / bank and capital-markets technology · Model: verified

Rating: Buy — Conviction: High

FIS has fallen 49% in a year to ~5x forward adjusted EPS and a ~16% aggregator FCF yield, even though recurring revenue is still growing ~5% pro forma and the company has just raised its free-cash-flow guide. On GAAP EBITDA, after stock comp and every "one-time" cost, the base case holds today's ~8x forward multiple and still sits well above the price. The stock is priced close to our bear case: a growth stall with transformation costs that never roll off. Leverage and credibility after August's guide cut are the risks.

Conviction tests (3a-v-c): T1 pass (base return +66% at +1pp, +146% at -1pp) · T2 pass (Gordon +148%, exit +51%) · T3 pass · T4 pass

The rule gives High; after August's guide cut, Medium may be the fairer reading of management credibility.

MODEL VALUE RANGE VS PRICE



Business overview

FIS sells core processing, digital banking, payments and (since 9 January 2026) card-issuer processing to banks, plus trading, treasury and fund-administration software to capital-markets firms. FY2026 revenue is guided at \$13.63–13.70bn. In Q2 2026, Banking Solutions was \$2,483mm (74%, including Total Issuing Solutions, the former Global Payments/TSYS issuer business), Capital Market Solutions \$810mm (24%) and Corporate \$84mm. FIS paid \$7.7bn of cash plus its 45% Worldpay stake for TIS, a total of \$13.5bn.

Three variables drive earnings:

- Pro forma recurring growth: +5.1% in Q2.
- How much of the ~\$240mm-a-quarter gap between adjusted and GAAP EBITDA is truly temporary. In Q2, \$172mm of it was "enterprise transformation".
- The pace of deleveraging from \$21.2bn of debt.

Competition

- **Core banking.** Fiserv and Jack Henry are the rivals that matter. The Kansas City Fed's 2022 survey put Fiserv at 42% of banks, Jack Henry 21% and FIS 9%. FIS skews to large and mid-size banks; Jack Henry reports ongoing share gains.
- **Issuer processing.** TIS competes mainly with Fiserv (First Data) and in-house bank platforms. No current share datapoint was verified.
- **Where pressure shows first.** In renewal pricing and in the pro forma growth guide, which was cut in August to +4.5–5.0% from +5.1–5.7%.

- **Valuation.** The closest listed comparable, Fiserv, trades at 6.7x EV/EBITDA and 6.3x forward P/E after its own reset. Jack Henry, the share gainer, gets 15.0x and 20.7x.

Bull case

1. **Transformation and integration costs roll off.** GAAP EBITDA margin was 33.3% in H1 2026, against a ~42% adjusted margin. If half the add-backs end by 2029 and TIS synergies land, GAAP margin reaches ~40%. Plays out if the "acquisition, integration and other" line falls steadily from \$237mm in Q2. *Model: ebitda_margin*
2. **Pro forma growth holds ~6%.** Banking grew +6.1% pro forma in Q2, and TIS adds card processing to cross-sell into FIS's bank base. Plays out if Q3 and Q4 recurring growth stays above 5% with no further guide cut. *Model: rev_growth*
3. **Deleveraging re-rates the equity.** Management targets 2.8x gross leverage within ~18 months of closing. The equity re-rates as debt falls. Plays out if leverage hits target on schedule and the dividend holds. *Model: exit_ev_ebitda*

Bear case

1. **"One-time" costs are permanent.** Enterprise transformation ran at \$172mm in Q2 alone. If it recurs, GAAP margin stays ~33.5% and the adjusted figures overstate earnings by ~8pp of revenue. Plays out if the add-back line doesn't shrink through 2027. *Model: ebitda_margin*
2. **Growth stalls to ~1.5–2%.** August's guide cut, Jack Henry's share gains and bank consolidation erode the core base, and issuer clients reprice at renewal. Plays out if pro forma recurring growth falls below 4% in the next two quarters. *Model: rev_growth*
3. **Leverage and refinancing.** Debt is \$21.2bn, including \$4.2bn of short-term borrowings that roll continuously, at a 5.2% 10-year yield. Plays out if credit markets tighten or ratings come under pressure. *Model: wacc*
4. **The sector's de-rating is structural.** Fiserv at 6.7x shows where the market prices a processor it has stopped trusting. Plays out if FIS's credibility doesn't recover after the August cut. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$38,145mm = mkt cap – cash + debt + NCI; GAAP EBITDA after stock comp and transformation costs)	10.5x FY2025 (pre-TIS) · ~8.1x FY2026 base (est.) · ~6.6x FY2026 adjusted guide	GAAP EBITDA margin 32.5–33.9% (FY2023–25)	Fiserv 6.7x · Global Payments 8.9x · Jack Henry 15.0x (aggregator, lease-inclusive)	model-inputs.json ; stockanalysis.com, 2026-10-12 close
Forward P/E (consensus adjusted EPS)	5.3x	n/a (unverified)	Fiserv 6.3x · Global Payments 5.6x · Jack Henry 20.7x	stockanalysis.com, 2026-10-12 close
FCF yield (company FCF guide \$2.15–2.25bn ÷ mkt cap)	~12.4% (aggregator TTM 16.0%)	n/a	Fiserv 16.0% · Global Payments 3.8% · Jack Henry 6.6%	Q2 2026 release; stockanalysis.com

Model-implied value range (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$27.60 · Base \$68.42 · Bull \$121.42 per share, i.e. implied returns of –19.4% / +99.7% / +254.4% vs \$34.26. *These ranges show how the bull and bear drivers translate into value; they are not price targets.*

- **What the price implies.** It sits 16% of the way from bear to base: the market is pricing something close to the bear plateau.
- **Re-rating.** The exit method holds 8.0x, roughly today's forward GAAP multiple (~8.1x). It is a 24% de-rating against the 10.5x FY2025 figure, but that figure is distorted because FY2025 excludes TIS. The two methods differ by 64% (Gordon \$85.11, exit \$51.74). The Gordon value implies a terminal multiple of ~10.7x (est.), a re-rating of about a third. The Buy holds on the exit method alone (+51%).

- **Tail sensitivity.** We ran one harsher case on a scratch copy: zero growth after FY2026, GAAP margin 32%, capex 9.5%, NWC 0%, exit 5.5x, WACC 9.5%, terminal growth 1%. It gives \$13.09 (–62%).

Balance sheet:

- Net leverage: 5.6x on FY2025 pre-TIS GAAP EBITDA, ~4.3x on FY2026 base GAAP EBITDA (est.), and 3.7x gross on the adjusted guide. The base path falls to 4.0x in Year 1 and 2.6x by Year 5.
- Coverage: EBITDA covers interest 4.6x on FY0, rising to 6.1x in Year 1.
- Liquidity: \$744mm of cash.
- Nearest material maturities: \$4,226mm of short-term borrowings and \$1,516mm of current long-term debt.
- Ratings: n/a (unverified).

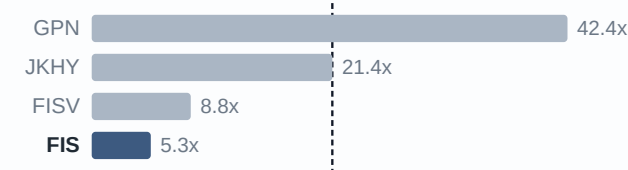
Model note: tier `full`, status `built`, verification `verified` (3,207 formula cells matched in LibreOffice). No unverified inputs. No assumptions without basis. Scenario consistency is `OK` on all 14 rows.

- **Sourcing.** Historicals (FY2023–25, continuing operations) from 10-K statements on EDGAR; market and debt facts from the Q2 2026 release and 10-Q.
- **FY0 basis.** FY0 is pre-TIS, so Year 1 carries the +28% step-up. Year 1 includes H1 2026, which has already happened, so value carries a small upward bias.
- **Debt detail.** Debt is entered at three aggregate lines. Tranche coupons and maturities were not retrieved; the blended 3.75% coupon and the 2031 representative maturity are estimates, and neither moves value.
- **EPS vs guidance.** Base Y1 EPS is \$2.05 GAAP against the \$6.15–6.24 adjusted guide. The guide adds back ~\$1.3bn a year of purchase-accounting amortization and the transformation and integration costs.

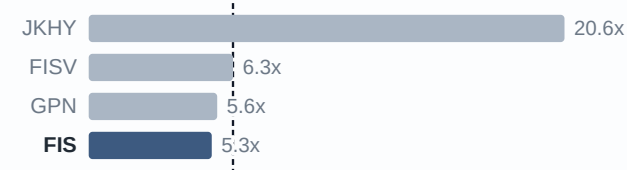
RELATIVE VALUE VS PEERS

Metric	FIS	FISV	GPN	JKHY	Peer median	vs median
P/E (TTM)	5.3x	8.8x	42.4x	21.4x	21.4x	–75%
P/E (forward)	5.3x	6.3x	5.6x	20.6x	6.3x	–15%
PEG	0.5x	0.9x	0.2x	1.7x	0.9x	–53%
EV/EBITDA (TTM)	10.8x	6.7x	8.9x	15.0x	8.9x	+22%
EV/Sales (TTM)	3.1x	2.5x	3.9x	4.2x	3.9x	–20%
P/B	1.1x	0.9x	0.9x	5.1x	0.9x	+17%
FCF yield	16.0%	16.0%	3.8%	6.6%	6.6%	+9.4pp

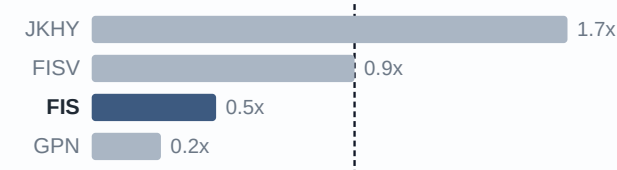
P/E (TTM)



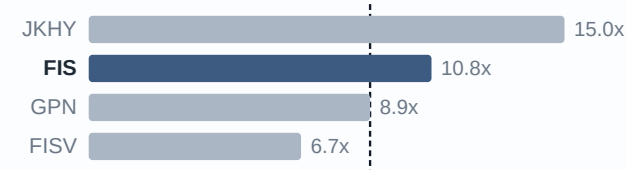
P/E (forward)



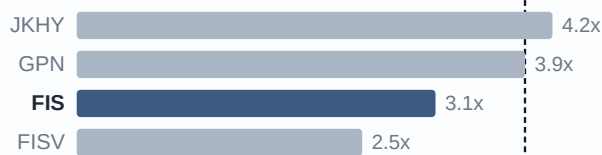
PEG



EV/EBITDA (TTM)



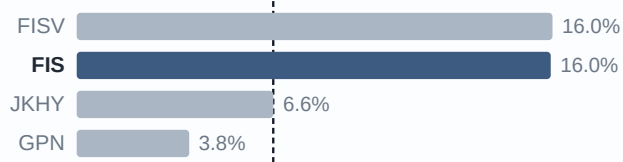
EV/Sales (TTM)



P/B



FCF yield



As of 2026-10-13. One source and one definition for every company: aggregator TTM and consensus-forward multiples, lease-inclusive EV. Not the model's own EV basis (see the report's valuation table). Pages dated 2026-10-13, pre-market; multiples reflect the 2026-10-12 close. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-13.

Notes. FIS trailing P/E is depressed by the ~\$2.2bn pre-tax gain on the January 2026 Worldpay stake sale; Global Payments' is inflated by a trailing net loss. Trailing EBITDA for FIS and Global Payments includes only part of a year of the TIS / Worldpay transactions.

Scenario stress test

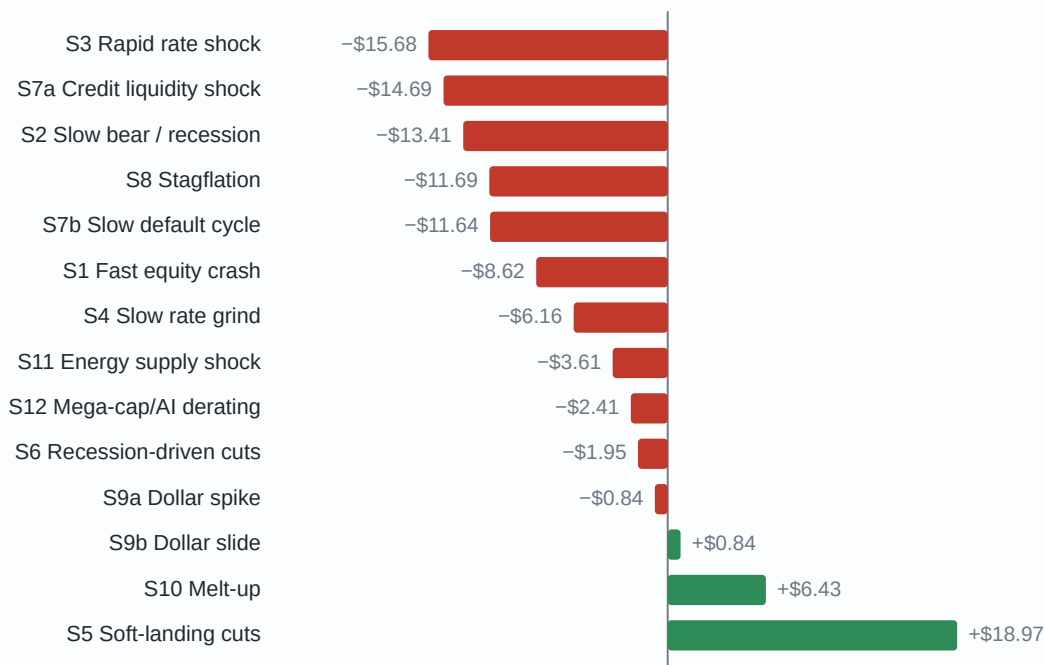
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	–	Levered equity de-rates with the market; recurring revenue unaffected	Med	–\$8.62
S2 Slow bear / recession	–	Banks cut discretionary IT and capital-markets spend; card volumes slow. A third of Base – Bear (\$40.82) because contracted recurring revenue makes a recession transitory, while the bear resets growth and margin permanently	High	–\$13.41
S3 Rapid rate shock	–	\$4.2bn of short-term debt reprices; 1.2x debt/equity balance sheet bears the discount-rate move	High	–\$15.68
S4 Slow rate grind	–	2027–28 maturities refinance at higher coupons	Med	–\$6.16
S5 Soft-landing cuts	+	Lower rates help the levered equity; healthier bank clients spend more	High	+\$18.97
S6 Recession-driven cuts	–	Bank client stress and lower card volumes slightly outweigh lower rates	Low	–\$1.95
S7a Credit liquidity shock	–	Commercial-paper dislocation forces refinancing at wider spreads; equity de-rates	High	–\$14.69
S7b Slow default cycle	–	Bank failures and forced mergers shrink the client base; issuer volumes slow	Med	–\$11.64
S8 Stagflation	–	Price escalators lag wage inflation; higher discount rate	Med	–\$11.69
S9a Dollar spike	–	Non-US Capital Markets and banking revenue translates lower	Low	–\$0.84
S9b Dollar slide	+	Mirror of S9a	Low	+\$0.84
S10 Melt-up	+	Deeply de-rated value name re-rates as risk appetite broadens	Med	+\$6.43

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S11 Energy supply shock	-	Indirect only: oil-driven inflation lifts rates and slows card spend	Low	-\$3.61
S12 Mega-cap/AI derating	-	AI-disruption fears weigh on software and IT-services multiples; already de-rated, so small	Low	-\$2.41

Currently active/on watch per the playbook: S3 is active: the macro log shows 10Y 5.24% and the 6-week pace leg met on 2026-10-12. S8, S10 and S11 are on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: n/a, already Buy. The call strengthens if:

- Q3 pro forma recurring growth stays $\geq 5\%$; and
- The acquisition, integration and other add-back falls below \$200mm a quarter.

Downgrades if:

- 2026 guidance is cut again; or
- Pro forma growth falls below 4%; or
- GAAP EBITDA margin stays $\leq 33\%$ through Q4 2026; or
- Short-term borrowings are not termed out or reduced by year-end 2026.

Watch items

- **W1:** Pro forma recurring revenue growth, against +5.1% in Q2 and the +4.5–5.0% FY guide. Source: Q3 2026 release (early November 2026). *Model: rev_growth*
- **W2:** GAAP EBITDA (operating income + D&A) as a share of revenue, against 34.7% in Q2 and the 34.5% FY2026 base; also the acquisition, integration and other add-back against \$237mm in Q2. Source: Q3 2026 release and 10-Q. *Model: ebitda_margin*
- **W3:** Debt and short-term borrowings against \$21,174mm and \$4,226mm at June 30, 2026. Source: Q3 2026 10-Q. *Model: none*
- **W4:** FY2026 FCF against the raised \$2.15–2.25bn guide. Source: Q4 2026 release (February 2027). *Model: capex_pct_rev*

Sources

- FIS FY2025 10-K consolidated statements of earnings, cash flows and balance sheets (EDGAR R5, R9, R3; acc. 0001136893-26-000013) — <https://www.sec.gov/Archives/edgar/data/1136893/000113689326000013/R5.htm> — accessed 2026-10-13
- FIS FY2024 10-K balance sheet (EDGAR R3; acc. 0001136893-25-000014) — <https://www.sec.gov/Archives/edgar/data/1136893/000113689325000014/R3.htm> — accessed 2026-10-13
- FIS Q2 2026 earnings release, Ex. 99.1 (acc. 0001136893-26-000046) — <https://www.sec.gov/Archives/edgar/data/1136893/000113689326000046/q22026ex991.htm> — accessed 2026-10-13
- FIS Q2 2026 10-Q (acc. 0001136893-26-000050) — <https://www.sec.gov/Archives/edgar/data/0001136893/000113689326000050/fis-20260630.htm> — accessed 2026-10-13
- EDGAR submissions index (no 8-K after 2026-08-04) — <https://data.sec.gov/submissions/CIK0001136893.json> — accessed 2026-10-13
- FIS statistics — <https://stockanalysis.com/stocks/fis/statistics/> — accessed 2026-10-13
- Peer statistics: <https://stockanalysis.com/stocks/fi/statistics/> (Fiserv, FISV) · <https://stockanalysis.com/stocks/gpn/statistics/> · <https://stockanalysis.com/stocks/jkhy/statistics/> — accessed 2026-10-13
- Kansas City Fed, Market structure of core banking services providers — <https://www.kansascityfed.org/research/payments-system-research-briefings/market-structure-of-core-banking-services-providers/> — accessed 2026-10-13
- FIS shares gap down after Q2 (MarketBeat, 2026-08-04) — <https://www.marketbeat.com/instant-alerts/fidelity-national-information-services-nysefis-shares-gap-down-heres-what-happened-2026-08-04/> — accessed 2026-10-13
- Barclays lowers FIS target (MarketBeat, 2026-10-09) — <https://www.marketbeat.com/instant-alerts/analyst-barclays-has-lowered-expectations-for-fidelity-national-information-services-nyse-fis-stock-price-2026-10-09/> — accessed 2026-10-13
- FIS completes acquisition of Total System Services (MarketScreener) — <https://www.marketscreener.com/news/fidelity-national-information-services-inc-completed-the-acquisition-of-total-system-services-llc-ce7e58dade8cf226> — accessed 2026-10-13
- Daily macro log, 2026-10-12 (10Y 5.24%, S3 legs) — `logs/macro-2026-10.md`

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.