

FISERV INC
Form 10-K
February 21, 2019
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION
13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934

For the fiscal year ended: December 31, 2018

OR
TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the transition period from to

Commission file number: 0-14948

Fiserv, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Wisconsin 39-1506125

(State or Other Jurisdiction (I.R.S. Employer
of Incorporation or Organization) Identification No.)

255 Fiserv Dr., Brookfield, WI 53045

(Address of Principal Executive Offices, Including Zip Code)

Registrant's telephone number, including area code: (262) 879-5000

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value \$0.01 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes No

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer Smaller Reporting Company
Emerging Growth Company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the common stock of the registrant held by non-affiliates as of June 29, 2018 (the last trading day of the second fiscal quarter) was \$30,024,669,916 based on the closing price of the registrant's common stock on the NASDAQ Global Select Market on that date. The number of shares of the registrant's common stock, \$0.01 par value per share, outstanding at February 15, 2019 was 391,586,971.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates information by reference to the registrant's proxy statement for its 2019 annual meeting of shareholders, which proxy statement will be filed with the Securities and Exchange Commission no later than 120 days after the close of the fiscal year ended December 31, 2018.

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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains “forward-looking statements” intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those that express a plan, belief, expectation, estimation, anticipation, intent, contingency, future development or similar expression, and 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 our future plans, objectives or goals are also forward-looking statements. The forward-looking statements in this report involve significant risks and uncertainties, and a number of factors, both foreseen and unforeseen, could cause actual results to differ materially from our current expectations. The factors that could cause Fiserv’s actual results to differ materially include, among others: the possibility that Fiserv and First Data Corporation (“First Data”) may be unable to achieve expected synergies and operating efficiencies in the proposed merger with First Data within the expected time frames or at all and to successfully integrate the operations of First Data into those of Fiserv; such integration may be more difficult, time-consuming or costly than expected; revenues following the merger 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 merger; 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 with First Data; the outcome of any legal proceedings that may be instituted against Fiserv, First Data and others related to the merger agreement with First Data; unforeseen risks relating to liabilities of Fiserv or First Data may exist; shareholder approval or other conditions to the completion of the merger 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; and the parties’ ability to meet expectations regarding the timing, completion and accounting and tax treatments of the transaction. Fiserv and First Data 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 and their customers and Fiserv’s and First Data’s assessment of that impact; rapid technological developments and changes, and the ability of Fiserv’s and First Data’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’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 and their subsidiaries individually or collectively; regulatory supervision and oversight, and Fiserv’s and First Data’s ability to comply with government regulations; the impact of Fiserv’s and First Data’s strategic initiatives; Fiserv’s and First Data’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 discussed in this report under the heading “Risk Factors” and in First Data’s filings with the Securities and Exchange Commission, and in other documents the companies file with the Securities and Exchange Commission. You should consider these factors carefully in evaluating forward-looking statements and are cautioned not to place undue reliance on such statements, which speak only as of the date of this report. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of this report. We are not including the information provided on the websites referenced herein as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

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PART I

In this report, all references to “we,” “us,” “our” and “Fiserv” refer to Fiserv, Inc. (“Fiserv”), a Wisconsin corporation, and, unless the context otherwise requires, its consolidated subsidiaries.

Item 1. Business

Overview

Fiserv, Inc. is a leading global provider of financial services technology. We are publicly traded on the NASDAQ Global Select Market and part of the S&P 500 Index. We serve over 12,000 clients worldwide, including banks, credit unions, investment management firms, leasing and finance companies, billers, retailers, and merchants. We provide account processing systems; electronic payments processing products and services, such as electronic bill payment and presentment services, account-to-account transfers, person-to-person payments, debit and credit card processing and services, and payments infrastructure services; internet and mobile banking systems; and related services, including card and print personalization services, item processing and source capture services, loan origination and servicing products, and fraud and risk management products and services. Most of the services we provide are necessary for our clients to operate their businesses and are, therefore, non-discretionary in nature. Our operations are principally located in the United States where we operate data and transaction processing centers, provide technology support, develop software and payment solutions, and offer consulting services.

In 2018, we had \$5.8 billion in total revenue, \$1.8 billion in operating income and \$1.6 billion of net cash provided by operating activities from continuing operations. Processing and services revenue, which in 2018 represented 85% of our total revenue, is primarily generated from account- and transaction-based fees under contracts that generally have terms of three to five years and high renewal rates.

We have grown our business by developing highly specialized product and service enhancements, extending our capabilities through innovation, welcoming new clients, selling additional products and services to existing clients, and acquiring businesses that complement ours, all of which have enabled us to deliver a wide range of integrated products and services and have created new opportunities for growth.

We originally incorporated in Delaware in 1984 and reincorporated as a Wisconsin corporation in 1992. Our headquarters are located at 255 Fiserv Drive, Brookfield, Wisconsin 53045, and our telephone number is (262) 879-5000.

On January 16, 2019, we announced that we had entered into a definitive merger agreement to acquire First Data in an all-stock transaction for an equity value of approximately \$22 billion as of the announcement. The transaction is expected to close during the second half of 2019, subject to customary closing conditions, regulatory approvals and shareholder approval for both companies. First Data is a global leader in commerce-enabling technology and solutions for merchants, financial institutions, and card issuers.

Our operations are reported in the Payments and Industry Products (“Payments”) and Financial Institution Services (“Financial”) business segments.

Payments

The businesses in our Payments segment provide financial institutions and other companies with the products and services required to process electronic payment transactions and to offer their customers access to financial services and transaction capability through digital channels. Financial institutions and other companies have increasingly relied on third-party providers for those products and services, either on a licensed software or outsourced basis. This is driven by the increasing number of payment transactions being completed electronically as our clients’ customers seek the convenience of 24-hour digital access to their financial accounts. Within the Payments segment, we primarily provide electronic bill payment and presentment services, internet and mobile banking software and services, account-to-account transfers, person-to-person payment services, debit and credit card processing and services, payments infrastructure services, and other electronic payments software and services. Our businesses in this segment also provide card and print personalization services, investment account processing services for separately managed accounts, and fraud and risk management products and services. Our products and services in the Payments segment include:

Electronic Payments

Our electronic payments business is comprised of electronic bill payment and presentment services and other electronic payment services for businesses and consumers, such as person-to-person payments, account-to-account transfers, account opening and funding, and small business invoicing and payments. Our principal electronic bill payment and presentment product, CheckFree® RXP®, allows our clients' customers: to manage household bills via an easy-to-use, online tool; to view

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billing and payment information; to pay and manage all of their bills in one place; and to complete same-day or next-day bill payments to a wide range of billers and others.

Our person-to-person payments services allow consumers a convenient way to send and receive money while offering financial institutions the opportunity to generate new transaction-based revenue, attract new accounts and increase loyalty among existing customers. More than 2,500 financial institutions have agreed to offer person-to-person payments services through Fiserv to their customers as of December 31, 2018. In addition to Fiserv's own service, Popmoney[®], we partner with Early Warning Services, LLC to offer a turnkey implementation of its Zelle[®] real-time person-to-person payments service. Our turnkey solution simplifies the implementation of Zelle by providing interface, risk management, alerting, settlement and other services to clients.

Digital Channels

Our principal digital consumer and business banking products are Architect,[™] Corillian Online[®], Corillian[®] Business Online, Mobiliti,[™] Mobiliti Business,[™] and SecureNow.[™] Our Corillian product suite supports multiple lines of banking businesses and has been designed to be highly scalable to meet the evolving needs of our clients. This structure enables our clients to deploy new services by adding and integrating applications, such as electronic bill payment, person-to-person payments and personal financial management tools, to any internet connected point-of-presence. Our Mobiliti product suite provides a variety of mobile banking and payments services to our clients and their customers via mobile browser, downloadable application for smartphones and tablets, text message, and Amazon[®] Echo Alexa voice banking. We also provide the advanced capabilities of Corillian Online and Mobiliti as an outsourced service, known as Corillian Online ASP and Mobiliti ASP. Our Architect product suite supports online, mobile and tablet banking for retail and small business customers on a single platform. Each of these suites enables customers to complete balance inquiries, view their transaction history, make bill payments, and transfer funds between accounts and other people. As of December 31, 2018, we had approximately 2,300 Mobiliti ASP clients. Our SecureNow product delivers real-time cybersecurity defense capability designed specifically for digital financial services and integrates industry-leading controls into a single platform, and is pre-integrated with key Fiserv digital assets, including Corillian Online, Architect and other Fiserv platforms for rapid deployment.

Biller Solutions

Our biller business provides electronic billing and payment services to companies that deliver bills to their customer base, such as utilities, telephone and cable companies, lending institutions, and insurance providers, enabling our biller clients to reduce costs, collect payments faster through multiple channels, increase customer satisfaction, and provide customers flexible, easy-to-use ways to view and pay their bills. Our clients' customers access our electronic billing and payment systems by viewing or paying a bill through a financial institution's bill payment application, using a biller's website, mobile application, automated phone system or customer service representative, leveraging www.mycheckfree.com, or by paying in person at one of more than 29,000 nationwide walk-in payment locations operated by our agents. These diverse options allow our clients' customers to view and pay bills wherever, whenever and however they feel most comfortable. Furthermore, because our biller clients are able to receive all of these services from us, we can eliminate the operational complexity and expense of supporting multiple vendor systems or in-house developed systems.

Enterprise Payments Solutions

Our enterprise payments business provides financial institutions with the infrastructure they need to process non-card-based electronic payments, including ACH, wire and instant payments, and to manage associated information flows. Clients may use the Dovetail payment platform applications on a licensed or hosted basis, and as an add-on to existing legacy technology or as a stand-alone comprehensive modern payments platform.

Card Services

Our card services business is a leader in electronic funds transfer services and provides a total payments solution through a variety of products and services. We provide thousands of financial institution clients with a full range of credit and debit processing services, including: ATM monitoring, tokenization, loyalty and reward programs, real-time person-to-person payments, customized authorization processing, gateway processing to payment settlement for networks, and risk management products. We own and operate the Accel[®] network, which serves more than 3,000 financial institutions with funds access at over 500,000 ATMs and which incorporates CardFree CashSM access as

well as EMVTM chip and traditional magnetic stripe cards. Our Accel network point of sale support delivers comprehensive coverage of PIN and signature authentication support at physical and electronic commerce merchants across the country. Our digital enablement capability provides our clients' customers with mobile-based, customizable card management and alert tools that drive engagement and revenue for card issuers, and our risk management tools and portfolio management services are integrated with real-time fraud decisioning. On

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October 31, 2018, we acquired the debit card processing, ATM Managed Services, and MoneyPass® surcharge-free network of Elan Financial Services, a unit of U.S. Bancorp, enabling access to over 52,000 surcharge-free ATMs.

Output Solutions

Our output solutions business provides business communication products and services to clients across a wide variety of industries, including financial services, healthcare, retail, utilities, and travel and entertainment. Our products and services include: electronic document management through our electronic document delivery products and services; card manufacturing, personalization and mailing; statement production and mailing; design and fulfillment of direct mail services; forms distribution; laser printing and mailing; branded merchandise; and office supplies.

Investment Services

Our investment services business provides financial planning, portfolio management and trading, model management, performance measurement, and reporting products and services to financial service organizations, including broker dealers, registered investment advisors, banks, asset managers and insurance companies that deliver financial advice and managed account products to U.S. retail investors. Our investment services business also supports global institutional asset managers and asset servicers with portfolio accounting, performance analytics, fee billing and revenue management, and post-trade processing technology. Our primary product, the Unified Wealth Platform, is a real-time portfolio management, trading and reporting system used by some of the largest brokerage firms and asset managers in the U.S. offering managed accounts.

Risk Management and Other Solutions

Our risk management business provides financial and risk management products and services that deliver operating efficiencies and management insight that enable our clients to protect and grow their businesses. Our enterprise performance management and financial control offerings include budgeting and planning, financial accounting, and automated reconciliation and account certification tools to facilitate a robust assessment environment and efficient close process for our clients. These solutions are further complemented by fraud detection and mitigation through our predictive analytics service, Fraud Risk and Anti-Money Laundering Compliance Management, as well as our SmarterPay™ deposit risk product.

Financial

The businesses in our Financial segment provide financial institutions with the products and services they need to run their operations. By licensing software from third parties or outsourcing their processing requirements by contracting with third-party processors, financial institutions are typically able to reduce costs and enhance their products, services, capacity and capabilities. For example, the licensing of software reduces the need for costly technical expertise within a financial institution, and outsourcing processing operations reduces the infrastructure and other costs required to operate systems internally. Within the Financial segment, we provide financial institutions with account processing services, item processing and source capture services, loan origination and servicing products, cash management and consulting services, and other products and services that support numerous types of financial transactions. Many of the products and services that we sell are integrated with solutions from our Payments segment such as electronic bill payment and presentment, internet and mobile banking, debit processing and network services, and person-to-person payments. Our products and services in the Financial segment include:

Account Processing

We provide account servicing and management technology products and services to our depository institution clients, as well as a range of integrated, value-added banking products and services. Account processing solutions are the principal systems that enable a financial institution to operate systems that process customer deposit and loan accounts, an institution's general ledger, central information files and other financial information. These solutions also include extensive security, report generation and other features that financial institutions need to process transactions for their customers, as well as to comply with applicable regulations. Although many of our clients contract to obtain a majority of their processing requirements from us, our software design allows clients to start with one application and, as needed, add applications and features developed by us or by third parties. We support a broad range of client-owned peripheral devices manufactured by a variety of vendors, which reduces a new client's initial conversion expenses, enhances existing clients' ability to change technology and broadens our market opportunity.

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The principal account processing solutions used by our bank clients are Cleartouch[®], DNA[®], Precision[®], Premier[®], Signature[®] and TotalPlus[®]. The principal account processing solutions primarily used by our credit union clients are CharlotteSM, CubicsPlus[®], CUnifyTM, CUSA[®], DataSafe[®], DNA, Galaxy[®], OnCU[®], Portico[®], Spectrum[®] and XP2[®]. The Signature and DNA systems are available both domestically and internationally. In addition, we offer AgilitiTM as a software-as-a-service solution to

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the U.K. financial institutions. Account processing solutions are generally offered as an outsourced service or as licensed software for installation on client-owned or -hosted computer systems.

Item Processing

Our item processing business offers products and services to financial institutions. Through the Fiserv® Clearing Network, we provide check clearing and image exchange services. Other products and services include image archive with online retrieval, in-clearings, exceptions and returns, statements and fraud detection. We also provide consulting services, business operations services and related software products that promote change in deposit behavior to transition check capture from branch and teller channels to digital self-service deposit channels, including mobile, merchant and ATM.

Lending and Other Solutions

In March 2018, we sold a 55% interest of our Lending Solutions business, retaining 45% ownership interests in two joint ventures, which include automotive loan origination and servicing products, as well as the LoanServ™ mortgage and consumer loan servicing platform. Other businesses in this segment provide products and services for ACH and treasury management, case management and resolution, and source capture optimization to the financial services industry. Our offerings include Immediate FundsSM, PEP+®, and our remote deposit capture solutions branded as Source Capture Solutions®.

Our Strategy

Our aspiration is to move money and information in a way that moves the world. Our purpose is to deliver superior value for our clients through leading technology, targeted innovation and excellence in everything we do. We are focused on operating businesses where we have: deep industry expertise that enables us to serve the market with high effectiveness; a strong competitive position, currently or via a clear path in the foreseeable future; long-term, trusted client relationships that are based on recurring services and transactions; differentiated solutions that deliver value to our clients through integration and innovation; and strong management to execute strategies in a disciplined manner. Consistent with this focus, we continue to operate our business in accordance with the following strategic framework: Portfolio Management. We expect to acquire businesses when we identify: a compelling strategic need, such as a product, service or technology that helps meet client demand; an opportunity to change industry dynamics; a way to achieve business scale; or similar considerations. We expect to divest businesses that are not in line with our market, product or financial strategies.

Client Relationship Value. We plan to increase the number and breadth of our client relationships by, among other actions: continuing to integrate our products and services; introducing new products and services that are aligned with market needs; combining products and services to deliver enhanced, integrated value propositions; and improving the quality of our client service and support.

Operational Effectiveness. We believe we can improve the quality of our client delivery while reducing our costs by using the opportunities created by our size and scale. For example, we are using our consolidated buying power and optimizing our facilities to create cost savings.

Capital Discipline. We intend to make capital allocation decisions that offer the best prospects for our long-term growth and profitability, which may include, among other matters, internal investment, repayment of debt, repurchases of our own shares or acquisitions.

Innovation. We seek to be an innovation leader, utilizing our assets and capabilities to be at the forefront of our industry and enable our clients to deliver best-in-class results.

Servicing the Market

The markets for our account and transaction processing services have specific needs and requirements, with strong emphasis placed by clients on quality, security, integration with other product lines, service reliability, timely introduction of new products and features, flexibility and value. We believe that our financial strength and primary focus on the financial services industry enhances our ability to meet these needs and service our clients. In addition, we believe that our dedication to providing excellent client service and support no matter the size of the client and our commitment of substantial resources to training and technical support helps us to identify and fulfill the needs of our clients.

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Product Development

To meet the changing technology needs of our clients, we continually develop, maintain and enhance our products and systems. Our development and technology centers apply the expertise of multiple teams to design, develop and maintain specialized processing systems. Our account processing systems are designed to meet the preferences and diverse requirements of the international, national, regional or local market-specific financial service environments of our clients. In developing our products, we use current software development principles, such as service-oriented architecture, to create efficiencies, and we stress interaction with and responsiveness to the needs of our clients.

Intellectual Property

We regard our software, transaction processing services and related products as proprietary, and we utilize a combination of patent, copyright, trademark and trade secret laws, internal security practices, and employee and third party non-disclosure agreements to protect our intellectual property assets. Our patents cover innovations relating to numerous financial software products and services, and we continue, where appropriate, to seek and secure patents with respect to our ongoing innovations. We believe that we possess all proprietary rights necessary to conduct our business.

Competition

The market for technology products and services in the financial industry is highly competitive. Our principal competitors include other vendors of financial services technology, data processing affiliates of large companies, and processing centers owned and operated as user cooperatives. Outside the U.S., our primary competitors include global and local IT product and services companies, as well as payment service providers and processors. We expect competition to continue to increase as new companies enter our markets and existing competitors expand their product lines and services. Some of these competitors possess substantially greater financial, sales and marketing resources than we do and have substantial flexibility in competing with us, including through the use of integrated product offerings and through pricing. Competitive factors for our business include product quality, security, integration with other product lines, service reliability, timely introduction of new products and features, flexibility and value. We believe that we compete favorably in each of these categories. Additional information about competition in our segments is provided below.

Payments

The businesses in our Payments segment compete with a number of competitors, including ACI Worldwide, Inc., Fidelity National Information Services, Inc. ("FIS"), First Data Corporation, Jack Henry and Associates Inc. ("Jack Henry"), KUBRA Data Transfer, Ltd., MasterCard Incorporated, NCR Corporation, Paymentech, LLC, Paymentus Corporation, PayPal Holdings, Inc., Q2 Holdings, Inc., R.R. Donnelley & Sons Company, Total System Services, Inc., Visa Inc., The Western Union Company and Worldpay, Inc. In addition to traditional payments competitors, large technology, media and other providers are increasingly seeking to provide or facilitate a wide range of point of sale and non-point of sale payments. These newer competitors include, but are not limited to, Alphabet Inc., Amazon.com, Inc., Apple Inc., Facebook, Inc., Intuit Inc., Samsung Group, Starbucks Corporation and Wal-Mart Stores, Inc. Existing and potential financial institution and biller clients could also develop and use their own in-house systems instead of our products and services. In addition, many companies that provide solutions to the financial services industry are consolidating, creating larger competitors with greater resources and broader product lines.

Financial

Our products and services in the Financial segment compete in several different market segments and geographies, including with large, diversified software and service companies and independent suppliers of software products. Existing and potential financial institution clients could also develop and use their own in-house systems. In addition, we compete with vendors that offer similar transaction processing products and services to financial institutions, including Black Knight Financial Technology Solutions LLC, Computer Services, Inc., Finastra Limited, FIS, Infosys Ltd., International Business Machines Corporation, Jack Henry, Oracle Corporation, SAP SE and Temenos Group AG.

Government Regulation

The regulations that apply to the delivery of financial services are complex and evolve continuously. Except with respect to certain products and services, Fiserv and its subsidiaries are generally not directly subject to federal or state

regulations applicable to financial institutions such as banks and credit unions. However, as a provider of services to these financial institutions, our operations are examined on a regular basis by various state and federal regulatory authorities and representatives of the Federal Financial Institutions Examination Council, which is a formal interagency body empowered to prescribe uniform principles, standards and report forms for the federal examination of financial institutions and to make

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recommendations to promote uniformity in the supervision of financial institutions. Also, state and federal regulations may require our financial institution clients to include certain provisions in their contracts with service providers like us, such as those related to security and privacy, and to conduct ongoing monitoring and risk management for third party relationships. In addition, independent auditors annually review many of our operations to provide internal control evaluations for our clients and their auditors.

In conducting our direct-to-consumer businesses, including our walk-in bill payment, online bill payment, digital disbursements, and Popmoney person-to-person payment services, we are directly subject to various federal and state laws, rules and regulations including those relating to the movement of money. In order to comply with our obligations under applicable laws, we are required, among other matters, to comply with licensing and reporting requirements, to implement operating policies and procedures necessary to comply with anti-money laundering laws, to comply with capital requirements, to protect the privacy and security of our clients' information, and to undergo periodic audits and examinations.

Since the enactment of the Dodd-Frank Wall Street Reform and Consumer Protection Act ("Dodd-Frank Act"), there have been substantial reforms to the supervision and operation of the financial services industry, including numerous new regulations that have imposed compliance costs and, in some cases, limited revenue sources for us and our clients. Among other things, the Dodd-Frank Act established the Consumer Financial Protection Bureau ("CFPB"), which is empowered to conduct rule-making and supervision related to, and enforcement of, federal consumer financial protection laws. The CFPB has issued guidance that applies to, and conducts direct examinations of, "supervised banks and nonbanks" as well as "supervised service providers" like us. In addition, federal and state agencies have begun to propose and enact cybersecurity and privacy regulations, such as the Cybersecurity Requirements for Financial Services Companies issued by the New York State Department of Financial Services in 2017 and the California Consumer Privacy Act passed by the California legislature in 2018. Also, regulations adopted outside the U.S., such as the European Union General Data Protection Regulation which became effective in 2018, impact our non-U.S. operations and to some extent our U.S. operations due to the potential extraterritorial application of these regulations. New regulations could, among other things, require us to make significant additional investments to comply with them, modify our products or services or the manner in which they are provided, or limit or change the amount or types of revenue we are able to generate.

Employees

We have over 24,000 employees globally, many of whom are specialists in our information management centers and related product and service businesses. This service support network includes employees with backgrounds in computer science and the financial industry, as well as employees with direct experience in payments, financial institutions and other financial services environments. Our employees provide expertise in: programming, software development, modification and maintenance; computer operations, network control and technical support; client services and training; business process outsourcing; item and mortgage processing; system conversions; sales and marketing; and account management.

The service nature of our business makes our employees an important corporate asset. Although the market for qualified personnel is competitive, we have not experienced significant difficulty with hiring or retaining our staff of top industry professionals. In assessing a potential acquisition candidate, we emphasize the quality and stability of the acquisition candidate's employees.

Available Information

Our website address is www.fiserv.com. We are not including the information provided on our website as a part of, or incorporating it by reference into, this Annual Report on Form 10-K. We make available free of charge (other than an investor's own internet access charges) through our website our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to these reports, as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the Securities and Exchange Commission.

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Item 1A. Risk Factors

You should carefully consider each of the risks described below, together with all of the other information contained in this Annual Report on Form 10-K, before making an investment decision with respect to our securities. If any of the following risks develop into actual events, our business, results of operations or financial condition could be materially and adversely affected and you may lose all or part of your investment.

Risks Relating to Our Existing Business

We operate in a competitive business environment and may not be able to compete effectively.

The markets for our services are highly competitive from new and existing competitors. Our principal competitors include other vendors of financial services technology, data processing affiliates of large companies, and processing centers owned and operated as user cooperatives. Our competitors vary in size and in the scope and breadth of the services they offer. Many of our larger existing and potential clients have historically developed their key applications in-house. As a result, we often compete against our existing or potential clients' in-house capabilities. We expect that the markets in which we compete will continue to attract new well-funded competitors and new technologies, including large technology, media and other companies not historically in the financial services industry, start-ups and international providers of similar products and services to ours. We cannot provide any assurance that we will be able to compete successfully against current or future competitors or that competitive pressures faced by us in the markets in which we operate will not materially and adversely affect our business, results of operations and financial condition.

If we fail to adapt our products and services to changes in technology or in the marketplace, or if our ongoing efforts to upgrade our technology are not successful, we could lose clients or have trouble attracting new clients, and our ability to grow may be limited.

The markets for our products and services are characterized by constant technological changes, frequent introductions of new products and services, and increasing client expectations. Our ability to enhance our current products and services and to develop and introduce innovative products and services that address the increasingly sophisticated needs of our clients and their customers will significantly affect our future success. We may not be successful in developing, marketing or selling new products and services that meet these demands or achieve market acceptance. In addition, the success of certain of our products and services rely, in part, on financial institutions, billers and other third parties to promote the use of our products and services by their customers. If we are unsuccessful in offering products or services that gain market acceptance, or if third parties insufficiently promote our products and services, it would likely have a material adverse effect on our ability to retain existing clients, to attract new ones and to grow profitably.

If we are unable to renew client contracts at favorable terms, we could lose clients and our results of operations and financial condition may be adversely affected.

Failure to achieve favorable renewals of client contracts could negatively impact our business. Our contracts with clients generally run for a period of three to five years. At the end of the contract term, clients have the opportunity to renegotiate their contracts with us or to consider whether to engage one or more of our competitors to provide products and services. If we are not successful in achieving high renewal rates and favorable contract terms, our results of operations and financial condition may be materially and adversely affected.

Consolidations in the banking and financial services industry could adversely affect our revenue by eliminating existing or potential clients and making us more dependent on fewer clients.

Mergers, consolidations and failures of financial institutions reduce the number of our clients and potential clients, which could adversely affect our revenue. If our clients merge with or are acquired by other entities that are not our clients, or that use fewer of our services, they may discontinue or reduce their use of our services. It is also possible that the larger financial institutions that result from mergers or consolidations could have greater leverage in negotiating terms with us or could decide to perform in-house some or all of the services which we currently provide or could provide. Any of these developments could have a material adverse effect on our business, results of operations and financial condition.

Security incidents or other technological risks involving our systems and data, or those of our clients or vendors, could expose us to liability or damage our reputation.

Our operations depend on receiving, storing, processing and transmitting sensitive information pertaining to our business, our associates, our clients and their customers. Any unauthorized access, intrusion, infiltration, network disruption, denial of service or similar incident could disrupt the integrity, continuity, security and trust of our systems or data, or the systems or data of our clients or vendors. These events could create costly litigation, significant financial liability, increased regulatory scrutiny,

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financial sanctions and a loss of confidence in our ability to serve clients and cause current or potential clients to choose another service provider, all of which could have a material adverse impact on our business. In addition, as threats continue to evolve, we may be required to invest significant additional resources to modify and enhance our information security and controls or to investigate and remediate any security vulnerabilities. Although we believe that we maintain a robust program of information security and controls and none of the events that we have encountered to date have materially impacted us, we may not be able to prevent a material event in the future, and the impact of a material event could have a material adverse effect on our business, results of operations and financial condition.

Operational failures and resulting interruptions in the availability of our products or services could harm our business and reputation.

Our business depends heavily on the reliability of our processing and other systems. An operational failure and the resulting service interruption could harm our business or cause us to lose clients. An operational failure could involve the hardware, software, data, networks or systems upon which we rely to deliver our services and could be caused by our actions, the actions of third parties or events over which we may have limited or no control. Events that could cause operational failures include, but are not limited to, hardware and software defects or malfunctions, computer denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses or other malware, or other events. Interruptions of service could damage our relationship with clients and could cause us to incur substantial expenses, including those related to the payment of service credits or other liabilities. A prolonged interruption of our services or network could cause us to experience data loss or a reduction in revenue, and significantly impact our clients' businesses and the customers they serve. In addition, a significant interruption of service could have a negative impact on our reputation and could cause our current and potential clients to choose another service provider. Any of these developments could have a material adverse impact on our business, results of operations and financial condition.

We may experience software defects, development delays or installation difficulties, which would harm our business and reputation and expose us to potential liability.

Our services are based on sophisticated software and computer systems, and we may encounter delays when developing new applications and services. Further, the software underlying our services may contain undetected errors or defects when first introduced or when new versions are released. In addition, we may experience difficulties in installing or integrating our technology on systems or with other programs used by our clients. Defects i