Fiserv, Inc. (FISV) CEO Jeff Yabuki on Q3 2019 Results - Earnings Call Transcript

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Q3: 11-06-19 Earnings Summary

Press Release *10-Q* *Slides*

EPS of $1.02 beats by $0.03 | Revenue of $3.94B (178.75% Y/Y) beats by $105.6M

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Fiserv, Inc. (NASDAQ:FISV) Q3 2019 Results Earnings Conference Call November 6, 2019 5:00 PM ET

Company Participants

Peter Poillon - Senior Vice President, Investor Relation

Jeff Yabuki - Chairman and Chief Executive Officer

Frank Bisignano - President, Chief Operating Officer and Director

Bob Hau - Chief Financial Officer and Treasurer

Conference Call Participants

David Koning - Baird

Lisa Ellis - MoffettNathanson

Darrin Peller - Wolfe Research

Ben Budish - Barclays

David Togut - Evercore ISI

Brett Huff - Stephens

Ashwin Shirvaikar - Citigroup

Glenn Greene - Oppenheimer

Kartik Mehta - Northcoast Research

Operator

Welcome to the Fiserv 2019 Third Quarter Earnings Conference Call. All participants will be in a listen-only mode until the question-and-answer session begins, following the presentation. As a reminder, today's call is being recorded.

At this time, I would now like to turn the call over to Peter Poillon, Senior Vice President of Investor Relations at Fiserv. Thank you

Peter Poillon

Thanks, Michelle, and good afternoon, everyone. With me today is Jeff Yabuki, our Chairman and Chief Executive; Frank Bisignano, our President and Chief Operating Officer; and Bob Hau, our Chief Financial Officer.

Our earnings release and supplemental presentation for the quarter are available on the Investor Relations section of fiserv.com.

Our remarks today will include forward-looking statements about, among other matters, expected operating and financial results, strategic initiatives and expected benefits and synergies from our recent acquisitions of First Data.

Forward-looking statements may differ materially from actual results and are subject to a number of risk and uncertainties. You should refer to our earnings release for a discussion of these risk factors.

Please refer to our materials for today's call for an explanation of the non-GAAP financial measures discussed in this call, along with the reconciliation of those measures to the nearest applicable GAAP measures. Unless stated otherwise, performance references made throughout this call are year-over-year comparisons and all references to internal revenue growth are on a constant currency basis.

Also note that non-GAAP financial measures included in our earnings release and supplemental materials include the full quarter and year-to-date results for First Data, which have been prepared by making certain adjustments to the sum of historical First Data and Fiserv GAAP financial information.

For additional historical combined financial information, please refer to the Form 8-K which we filed on October 3.

Finally, please mark your calendar for our Investor Day to be held on March 25 in New York City. We look forward to seeing you for this important event.

And now, I'll turn the call over to Jeff.

Jeff Yabuki

Thanks, Peter, and good afternoon, everyone. We're very pleased to be with you today as we share our first quarter of combined results along with our insights and enthusiasm for the future of your company.

Financial performance is off to an excellent start following the July 29 close of the First Data transaction, led by strong internal revenue growth, expanding adjusted operating margin and growing free cash flow. Synergy work is progressing well and sales momentum continues to be strong. This performance contributed to increasing our internal revenue growth guidance to 6% for the year and adjusted EPS growth of 16% to 17%, setting us up for an even better 2020.

Although we are a larger more dynamic enterprise, we remain fully committed to delivering upon the key tenants of shareholder value that have underpinned our performance for more than a dozen years. High quality revenue growth, operating margin expansion, strong free cash flow and disciplined capital allocation are alive and well in new Fiserv.

Along those lines, we reinitiated our share repurchase program late in the third quarter under a 10b5 plan. We are confident in our ability to both meet our debt repayment commitments and repurchase shares.

The integration of First Data is top of mind as we focus on building a great company. Yesterday was day 100 of this transformational merger and we're really excited about the road ahead. Energy is high, teams are coming together and our integration activities are progressing well. Creating success for our clients is number one on our integration agenda and foundational to the promise of this combination.

As I mentioned upfront, we're off to a great start financially with internal revenue growth in the quarter up more than 6% led by a very strong 10% in our GBS merchant business and adjusted earnings per share was up 17% to $1.02. Adjusted operating margin in the quarter was up 130 basis points to 29.8% and free cash flow was more than $800 million. For the year-to-date, internal revenue growth was also 6% with GBS up again 10% for the period. Adjusted earnings per share was up 16% to $2.87 and adjusted operating margin was up 100 basis points to 29.1%.

Free cash flow through September 30 was 13% -- was up 13% to just over $2.3 billion and free cash flow conversion was excellent at 116%. We continue to be intently focused on growing high quality free cash flow and allocating that capital in a way that optimizes value creation on both an overall and on a per share basis.

Now before I turn the call to Frank to update you on integration and synergy progress, let me share a few proof points on how the combination extends and enriches our strategic position. Account processing is a critically important business which also provides a strategic hub to further distribute high quality solutions in a cost effective manner such as our new offerings around merchant services. Along those lines, we were pleased to sign another 14 core account processing clients in the quarter, including six on DNA and have signed 41 clients year-to-date.

We will continue to invest in enabling our account processing clients to serve their customers in a real time digitally-focused world. Unlocking client value and expanding growth across our market leading merchant acquiring business is one of our highest priorities. Our cloud based, point of sale platform Clover crossed the $100 billion threshold in annualized payment volume in the quarter, a more than 40% gain over last year. Add-on Clover services are growing rapidly and payment devices shipped is up 25% through September 30. We're also seeing significant growth opportunities across our e-commerce merchant business which on top of strong sales grew transactions more than 30% in both the quarter and year-to-date. Additionally, our integrated payments ISP partners expanded by more than 20% in the quarter. We're incredibly optimistic about the future growth potential in these digitally-centric merchant businesses.

A key strategic focus is to extend our position as the largest merchant acquirer in the world. The combination of a highly advantaged bank merchant opportunity, rapidly accelerating growth in digital commerce, global distribution and the continued strength of our Clover platform positions us to further expand market share in this important space.

The market continues to embrace payments innovation as the new norm. We believe our scale with more than 1 billion payment cards enforced and leadership positions in areas such as card network, electronic bill payment, ACH and Zelle combine to create meaningful growth today and optionality for tomorrow.

Last, we have a significant opportunity to meaningfully participate in global franchise growth. Whether looking at cash to card payments in India, gaining acceptance share in Brazil and Argentina or enabling more e-commerce in Europe, we are more holistically participating in the long tail of global growth. As a complement, we've identified a series of meaningful revenue synergy opportunities outside the U.S. further leveraging the solution breadth and processing scale of the combined company.

With that, let me turn the call over to Frank.

Frank Bisignano

Thanks, Jeff. Good afternoon, everyone. It's great to be here as part of the new Fiserv. As we mentioned earlier, we're only a 100 days into this transformational merger of two great companies. And I am even more energized today as we dive into the business and see the wide range of opportunities ahead.

Let me first start by stating that the power of this new company has far greater reach than I imagined when we decided to put it together. That conclusion is derived from the many senior level client meetings we've had, and how well the value proposition comes together in the clients' office. We've established business units led by exceptional management teams, comprised of leaders from both companies. As you can imagine, Jeff and I carefully considered each of the leadership positions across our businesses, and put together the team which we believe will drive great results around the world.

As you may know, I, along with the senior members of our team have had the firsthand opportunity to work on some of the more transformational mergers in the financial services industry. And we're utilizing those experiences to help ensure we execute extraordinarily well. The team's engagement model and partnership is at the very highest level I've ever seen and with a clear determination to build a great global company for the long-term benefit of clients, associates and shareholders.

When two large and complex companies come together is essentially associates, the lifeblood of the company is highly engaged on two fronts; the business as usual operation of the company, and successful execution of the full set of integration activities. We are thrilled at how well the people of both companies have come together to focus on what matters. We're pleased with our progress on revenue synergies and confident that we will at a minimum meet the $500 million target including nearly $100 million of synergy revenue next year. Currently, we have 78 work streams in process across the company focused on delivering additional client value.

In addition to near-term value, we're also thinking about how the payments industry may evolve over the longer-term, and how we, as an industry leader can use our unique combination of assets to drive sustainable, profitable growth beyond the synergy work today. As we mentioned, one of the most important revenue synergies is to better serve the account processing client base of the original Fiserv through distributing high quality merchant acquiring solutions.

Enabling technologies such as Clover to be distributed digitally and through the physical branch network of original Fiserv clients is a significant opportunity which is literally being validated daily. We have already signed more than 20 core account processing clients, with about half being competitive takeaways. Of the competitive wins, five had assets raising from $1 billion to $6 billion, and there are more than 200 financial institutions in the pipeline. Enabling clients to enhance the relationship with their most important clients while delivering much needed fee revenue is resonating as a very compelling value proposition.

Based on the market reaction, we now expect to exceed the $200 million revenue synergy opportunity we originally identified for this initiative. We're also making excellent progress on our network routing and card issuing revenue opportunities, which is extending existing card and network relationships along with identifying ways to create incremental market differentiation. The combination of Star and Accel further enhances our position as the third largest network in the U.S. with important issuer and merchant clients.

In addition, with more than $1 billion active credit and debit cards globally, we have an opportunity to innovate in new and unique ways. We have identified a meaningful number of revenue synergies outside the U.S. which go beyond our original revenue thesis. In addition to delivering merchant and issuing services globally, we're seeing momentum in areas such as payments modernization, core banking, digital solutions and risk with an important emphasis in providing hosted solution through our scaled infrastructure throughout the world.

We have also identified numerous opportunities to provide additional solutions to clients in which one or both of the original firms have an influential relationship. As I mentioned, we had the pleasure to meet with the number of clients and in each meeting there has been substantial discussion about how Fiserv can deliver additional value as a result of the combination.

We have completed an in-depth white space opportunity analysis for our largest clients and are very optimistic about what the future holds for delivering incremental client value and revenue growth.

Moving to cost synergies, we are making excellent progress against our objectives of at least $900 million over the first five years, which as you know does not include interest savings. Like revenue, our internal objective is to surpass that goal in terms of both dollars and time to achieve. Our initial focus has been to identify duplicate costs across the company with an emphasis on our corporate and technology functions. We're off to a great start with high visibility and action plans in place to achieve our objective. Our goal is to streamline our overall cost structure while delivering more compelling and even higher quality solutions to our clients.

We're also leveraging the global product development captive Fiserv built to extend the productivity of our resources while reducing overall costs. One of the larger cost synergy opportunities is design efficiency and effectiveness across our more than $4 billion of annual vendor strength. We're methodically meeting with our suppliers and engaging in productive conversations which we believe will contribute meaningfully to our cost synergy objectives.

We have created a strong focus in governance structure to ensure we achieve our synergy objectives. With have actioned over $200 million in annualize saves against our $900 million cost target. Importantly, we expect that level to grow every week increasing the probability of outperformance over the period.

As you've heard we're highly confident in achieving our synergy targets and have an additional focus on overachieving in terms of quantum and timing. We will supply a full update including any increases to our target at our March Investor Day.

We also are evaluating the best way to deploy the incremental $500 million innovation investment pool to create market differentiation and drive additional revenue growth beyond synergies. We are evaluating a variety of opportunities in areas such as digital commerce, card payments, risk and fraud solutions and network innovation. We will also share more on this important initiative with you in March.

Let me also provide a quick update on our progress with BAMS joint venture. As we discussed on our July 30th call, we're working with the bank collaboratively through a well defined contractual process to dissolve the JV in June 2020 and ensure we deliver great service to our shared clients. We continue to believe that Fiserv’s results will be accretive over the next few years as we leverage the significant scale within the company.

With that, let me turn the call over to Bob to provide detail on our financial results.

Bob Hau

Thank you, Frank, and good afternoon. Let me start by calling your attention to four items included in our reported results and reflected in the Form 8-K filed on October 3. First, internal revenue growth will be reported on a constant currency basis consistent with the First Data methodology. For clarity, we have not made any FX adjustments to EBITDA which is different than how FDC had reported nor to operating income or adjusted EPS. Next, First Data previously added back stock-based compensation in reporting its adjusted earnings metrics. We now conform to our practice of including stock-based compensation in the adjusted income statement. Third, First Data previously reported adjusted revenue for its joint ventures using proportional consolidation. Beginning with this quarter results for minority owned jointed ventures will mirror GAAP and no longer be reflected in adjusted revenue and adjusted operating income.

Our share of the net income from these JVs is reported as income from investments in unconsolidated affiliates. We will continue to report BAMS using proportional consolidation as we believe that approach best reflects how we will report the results of this business upon dissolution.

Finally, we're reporting our adjusted results across four segments. First Data which reflects First Data's historic business segments; payments and financial, which are original Fiserv's two business segments; and last, we combine both companies' corporate segments into a single item. We will report our results in this fashion for the remainder of the year and expect to roll out a new segment structure beginning in 2020.

We feel great about our performance for both the quarter and the first nine months of the year and are well positioned to achieve strong full year financial performance. Adjusted revenue was up 5% to $3.6 billion in the quarter and 4% to $10.7 billion year-to-date. Internal revenue growth was a strong 6% in both the quarter and year-to-date driven by all three business segments delivering higher growth through September 30.

As expected, revenue synergies were modest in the quarter and will accelerate over time. Overall, internal revenue growth performance through September 30th is slightly ahead of our expectations for the year. Adjusted operating income increased 10% to $1.1 billion in the quarter and is up 8% to $3.1 billion through the first nine months of the year. Adjusted operating margin in the quarter was 29.8%, up 130 basis points versus the prior year.

As you know, we had expected stronger margin performance in the second half of the year in the original Fiserv business as we lap much of the prior-year tax reinvestments. Operating margin also benefited by increased revenue growth and some limited benefit from cost synergies, partially offset by the Elan acquisition. Year-to-date, adjusted operating margin was up 100 basis points to 29.1% with each of the segments showing increases. Given the July 29 close, actual synergy benefits realized in the quarter were modest. Revenue synergy action plans are on track to achieve our year one target of nearly $100 million and we've already actioned annualized run rate cost synergies of more than $200 million. We are highly confident that we will meet or exceed both the revenue and cost synergy targets.

Now keep in mind that interest savings are not included in the $900 million cost synergy target. The total of target cost synergies and the expected interest savings is in excess of $1.1 billion annually. Adjusted earnings per share was up 17% to $1.02 in the quarter and increased 16% to $2.87 year-to-date. These results included a negative impact from foreign currency of $0.02 and $0.08 per share for the third quarter and year-to-date respectively.

Overall, we are very well positioned to achieve our 34th consecutive year of double-digit adjusted EPS growth. In the First Data segment, adjusted revenue was up 3% to $2.2 billion for the quarter and up 2% through September 30th to $6.4 billion. These results for both periods include headwinds from last year's Q3 divestitures. Segment internal revenue growth was a strong 7% in both the quarter and year-to-date and is up more than 100 basis points compared to last year. This performance included excellent results in the former GBS segment recording 10% growth for both the quarter and year-to-date. These results also include 7% growth in the quarter for GBS North America and 6% growth for the year-to-date.

The primary drivers of our strong growth are digital commerce, ISV Solutions, Clover and global merchant acquiring. For example, ISV revenues have grown more than 60% year-to-date and we've added more than 18,000 new ISV merchants. Overall, contracted merchant locations globally, both digital and physical, have expanded low-double-digits this year.

In card issuer processing, we are seeing solid trends in global credit card accounts on file, which grew mid-single-digits in the quarter. This growth was driven primarily by the on-boarding of new clients and growth in existing portfolios. FTC had previously treated plastics resale revenue as a pass-through item. Given that original Fiserv provides plastics production, this is now included as adjusted revenue. This reporting change created a headwind in Q3 and becomes a bit more pronounced in the fourth quarter.

International growth continues to be a bright spot, delivering high teens internal revenue growth in the quarter and year-to-date. And growth has come from a combination of new issuing and merchant business with strong payment macros in places such as Brazil and India. The First Data segment adjusted operating income increased 5% to $667 million in the quarter and is up 4% to $1.9 billion through the first nine months of the year.

Adjusted operating margin in the segment was up 20 basis points to 30.7% in the quarter, driven primarily by strong revenue growth and cost containment offset by pressure from foreign currency. Year-to-date, adjusted operating margin was up 50 basis points to 30.3%. As we enter 2020, we don't plan to separately report the former First Data segment or sub-segment growth rates. As we provide new segments, we'll supply the key financial and business metrics, which we believe best align with our strategic plans and expected financial results.

Moving to the Payments segment, which is original Fiserv only, adjusted revenue was up 11% in both the quarter and year-to-date to $861 million and $2.5 billion respectively, including the benefit of the Elan acquisition.

Internal revenue growth was 6% in the quarter, up more than 100 basis points sequentially and up 5% year-to-date, led primarily by strong performance in our card services, electronic payments and output solutions businesses. Adjusted operating income for the Payments segment grew 16% to $309 million in the quarter and 11% to $899 million year-to-date. Adjusted operating margin in the quarter was 35.9%, up 150 basis points over the prior year and adjusted operating margin for the first nine months was up 10 basis points to 35.3%.

Results in the quarter and year-to-date benefited from additional revenue growth and the reduction of last year's tax funded investments, partially offset by the impact of the Elan acquisition, which anniversaried on October 31st. Debit transactions grew high-single-digits in both the quarter and year-to-date. Mobiliti ASP subscribers grew 14% in the quarter to 9 million and Mobiliti business clients increased 18% as the U.S. continues to embrace digital banking services.

P2P transactions, which includes both Popmoney and Zelle continued to show strong results doubling versus Q3 last year and up 15% sequentially. Zelle transactions alone nearly tripled in the quarter, buoyed by the number of live clients nearly doubling sequentially. We signed 130 Zelle clients in the quarter, more than the first two quarters of the year combined and almost 3 times the number signed in Q3 last year.

For the Financial segment, adjusted revenue was up 4% to $596 million for the quarter and up 1% to $1.8 billion year-to-date, including the lending transaction, which anniversaried at the end of Q1. Internal revenue growth in this segment was 4% in the third quarter, up more than 100 basis points sequentially, and is 4% year-to-date led by our account and item processing businesses. Adjusted operating income in the Financial segment grew 5% to $196 million in the quarter and is up 1% to $598 million through the first nine months of the year.

Adjusted operating margin in the segment was up 20 basis points in the quarter to 32.9% and up 10 basis points year-to-date to 33.3%. The results in the quarter and year-to-date are stronger than they appear, given a reduction in periodic revenue, which has been more than offset by the benefit of high-quality recurring revenue growth and operational efficiency. The adjusted corporate operating loss, which includes the combined corporate expenses of both original businesses, was $93 million for the quarter and $314 million year-to-date. Now we expect the fourth quarter corporate expenses to be generally consistent with that of Q3.

The adjusted effective tax rate was 22.2% for the quarter, and is 20.8% for the first nine months of the year. And we expect our fourth quarter tax rate to be 24% and our full year adjusted tax rate to be about 22%. You may recall First Data has a meaningful tax NOL, which should create a -- continue to create a lower cash tax rate for the next several quarters. Free cash flow was strong in the quarter and is up 13% to $2.3 billion year-to-date with free cash flow conversion of 116%.

As a result of our normal portfolio management process, we reached agreement to divest two small product lines for $133 million in the quarter. These businesses represent about $8 million of revenue per quarter and both closed in October. We issued 286 million shares on July 29th to complete the First Data transaction.

And in late September, we began repurchasing shares in line with our longstanding capital deployment strategy. We repurchased 341,000 shares for about $35 million in the quarter and 2 million shares for approximately $156 million year-to-date. We have 24 million shares remaining authorized for repurchase at the end of the quarter.

We remain fully committed to returning to our historic leverage level over the next 18 to 24 months through a combination of debt repayment and strong EBITDA growth. Total debt outstanding as of September 30th, which is about 75% fixed, was $22.5 billion and debt-to-EBITDA was 3.9 times.

With that, let me turn the call back to Jeff.

Jeff Yabuki

Thanks, Bob. We begin our new Fiserv journey with a far larger opportunity to deliver value to the market. Combined sales performance was up 15% in the quarter and is up 8% year-to-date. We had a number of important wins in the quarter such as signing the California DMV and its 180 locations to the Clover platform. We also had larger competitive wins in the integrated payment space such as Dash platform, Smart Service and MRI. And we added all the North and all the South to global supermarket chain store with locations across 19 markets to our e-commerce solutions.

We were also pleased to expand our relationship with Golden 1 Credit Union in the quarter with a bundle of new value, including ATM Managed Services. We signed Western Alliance Bank with more than $25 billion in assets and TBK Bank with nearly $5 billion of assets to our dovetail payment hub. And last, DNA momentum continued in the quarter signing six new clients and competitive processes, including Landmark Credit Union, Wisconsin's largest credit union with more than $4.2 billion in assets, and Verve, a credit union with about $1.3 billion in assets.

Our sales pipeline remains strong and importantly, the weighted pipeline of revenue synergies is approaching $100 million of annual revenue. We expect the synergy pipeline and related sales to grow as the market experiences the new Fiserv. For those tracking the original Fiserv, integrated sales was up 46% in the quarter and 17% through September 30th.

Operational effectiveness performance remained on track with $11 million achieved in the quarter and $36 million of savings year-to-date.

Now on to guidance. We expect constant currency internal revenue growth of 6% for the year with the fourth quarter coming in around 5%, due primarily to a slightly better-than-expected Q3, a tough prior year compare, including lower periodic revenue in our Financial segment and some purchase revenue adjustments. We expect adjusted earnings per share in the range of $3.98 to $4.02 for the year, growth of 16% to 17%, which includes more than 300 basis points of negative impact from FX on our full year adjusted EPS growth rate. We expect adjusted operating margins to expand by at least 100 basis points for the year, and that free cash flow conversion will be approximately 115%.

Although we are in the midst of our 2020 planning, we will provide a very preliminary view into our expected performance. For full clarity, this is not official guidance or outlook. Those data will be provided in our February call. As of today, considering the strong performance of the existing business, expected synergies and the current view into the continuing headwind from FX, we anticipate 2020 internal revenue growth of at least 7% and that adjusted earnings per share will grow plus or minus 25% over 2019's actual performance.

This has been a monumental year for Fiserv. We were named the World's Most Admired Company for the sixth year in a row, celebrated our 35th anniversary, and most importantly, combined with First Data to help achieve our aspiration of moving money and information in a way that moves the world. And while others have followed our lead, we are even more confident today that our solution set, global scale and significant investment capacity underpins an unparalleled opportunity for clients, associates and shareholders.

Let us also thank our 44,000 associates around the world for their commitment and enthusiasm to building our new enterprise while continuing to serve clients with excellence. Each of you working together are truly Fiserv at our best.

With that, Michelle, let's open the line for questions.

Question-and-Answer Session

Operator

[Operator Instructions]. Our first question comes from David Koning with Baird. You may go ahead, sir.

David Koning

Yes. And maybe to start out, I mean, to have guidance over 7% for next year, what seems like is happening is First Data has kind of gone from a few years ago losing share to actually -- it seems like they're gaining share now. And you guys kind of called out digital ISV Clover Global Solutions all that fast growth stuff. Is North America actually kind of in an acceleration mode? And maybe how big is the really fast growth part now? Has that gotten to scale that it can accelerate the total North America growth now?

Jeff Yabuki

So Dave, there's a lot of questions that are in there. Let me take the first part of it, and then have Frank fill 1in the blanks and perhaps Bob will have something to add to it as well. I would say that if you start kind of at a little bit more of a macro level, you'll remember when we got on the phone in -- on January 16th and announced the transaction, that it was our belief that there was a mismatch between what was going on in the company and how investors were thinking and what we were seeing. And what we are seeing was that Frank and the management team had really put the company on the right path that they were making fantastic progress. And I'll let Frank talk about that. And it's an incredible testament to what the team has done to have delivered 10% growth both in the quarter and the year-to-date. But it was our belief that technologies such as Clover, right, with over $100 billion in annualized GPV growing at 40%, which is actually an increase from the prior year's growth rate. And then you think about Integrated Payments and ISV, and e-commerce growing 30% in transactions that, that these pockets were moving absolutely in the right direction. But don't forget, there's still a big partner solutions business. There's lots of other pieces of the business that continue to just move in the right direction. So, I think, we have a lot of room to continue to run and we'll be focused on that. The e-commerce business signed 30 new logos this year alone.

So, we're taking the right steps and we're moving forward. And I think we believe that it will continue to grow. And also obviously, we have our international businesses that have been growing quite well. Frank, why don't you...

Frank Bisignano

I think the only other thing I would add is, these are technology-based businesses. Our acquisitions going back in time to us buying Clover, fully integrating Clover into the company, but letting it thrive as a Silicon Valley entity. Then the acquisitions in the ISV business, which is beginning to really show up, which were CardConnect and BluePay, and bringing that technology, integrating it in an integrated company and bringing technology on top of that to bring the best solutions that we thought technically were in the market. And then, e-com is a constant investment for us and you can count on us having continued investment in all three of these to continue a growth trajectory in those businesses. And international has been a star for us, but that was something that we started out with very little market share. And you see that as a strong double-digit grower for us. But the technical business, the partnership in this new company will just help this. I mean, if you want to ask about North America, you hear us talking about the privileged position that Fiserv had with its great core clients. And the reason why we've been able to go in, and I think you got to absorb that 20 wins in a 100-day period of time, that's from start of discussion to signing. And when you have $6 billion institutions and competitive takeaways, it's about the privileged position that Fiserv had with these clients. And I think Jeff and I have thought about good ways to bring it together, ways always that the clients are delighted with.

David Koning

And I'll just ask a very short follow-up. I know free cash flow and buybacks are so important to you guys. What do you think the Q4 share count is going to be just because it's confusing right now with partial quarter in Q3?

Bob Hau

Yes, David, it's Bob. We bought -- we started buying back in late September. We talked about we'll have some modest buyback under that 10b5 program. The way to think about it is, if you look in our press release, there's a couple of tables in there. We're about 695 million shares overall, is the way to think about it.

Operator

Thank you. Our next question comes from Lisa Ellis with MoffettNathanson.

Lisa Ellis

Can you talk a little bit about is now you've got all of you guys together converged entity about international, a place where legacy First Data has had a lot of success. Not -- and historically a focus area for Fiserv. But as you're looking into sort of the investment priorities of the combined entity, what's the role of your international expansion? What are the priority geographies? How should we be thinking about that? Thank you.

Jeff Yabuki

Thanks, Lisa. I think, first of all, you -- I know that you've watched the international growth of First Data, and it was very, very targeted. And countries that we believe had a good payment economies had lots of runway in cash to cashless, and our ability to bring our skill set and tools there, and partner with great banks also. When we looked at the company, we found that the ability to take both institutions, put them together, run a very, very integrated business in each country and in each region, and then begin talking to our clients, that is one of the favorite things we like to do, visit clients, talk to them, talk to them about the solutions. So as we said before, I think there's great opportunity for us to bring merchants and issuing product into old Fiserv clients. And we think there's great opportunity to take many of the good products we have everywhere from dovetail to the way we could have hosted solutions for institutions which we have great relationships with. And I would say international, if you went to where we originally started, it's a much brighter spot and opportunity in totality, and our regional heads have been often running and doing a great job in integrating this company.

Bob Hau

Lisa, I would only add, when Frank and I and the teams were going through the combination analysis and looking for where were the big opportunities, we to some extent put international off to the side, because we had in the original Fiserv such a small international presence. And even though we had a fair amount of country diversity and maybe a larger amount of product diversity, we didn't necessarily think we would have the scale. And one of the things that we've been pleasantly surprised by is because of the infrastructure, the scale that First Data brought to the party, we're able to take our solutions, host them for clients and run them and create recurring revenue. And there's been a lot of energy. If you're in a local jurisdiction, you want product, and we had a lot of products. There are a lot of relationships. And so, we've got a lot more energy going back and forth. And we will now -- because of the combined company, we have reasonable scale. We will certainly look to deploy capital outside the U.S. where it makes sense strategically and for the rest of the benefit of the company.

Lisa Ellis

Thank you. And then, maybe my follow-up slightly related on e-com, 30% transaction growth, obviously a fantastic number. Can you give a sense for where in that extremely hot and hotly contested market you're winning? Is that -- should we be thinking this is a multinational omni-channel? Is this platforms where you're the back-end processor behind some of the big platform players? Is this small business USA? Give us a sense for sort of where you're seeing those wins? Thank you.

Frank Bisignano

Well, there's been a -- Jeff talked about the number of new logos, and that implication is large and accurate, which are the large institutions. You should think of them as large players who are brands that you aspire to have this business with. So we've been very, very fortunate to have notched a bunch of wins of large institutions who are heavy e-com players. And I think of it in that manner. I think also you can see us having a larger tax rate in our ISV business and other avenues where we're attaching more e-com to our small business and medium-sized ISVs. And yeah, we do have a somewhat privileged position as being a processor for some large players also, but I think when you look at the totality of what Jeff talked about in the winning space, it's been more at the front of the shop not at the back of the shop.

Jeff Yabuki

Yes, it's really been quite impressive. The list of names that the company has been able to bring into this table over the last couple of years, including a number of important names this year, as Frank said to some extent, aspirational names in industries that we are aware of. But there's also a fair amount of middle market, most of what we're seeing right now is in the OmniPay space, but in that middle market. So we're making great progress there. And we're building out a model where we're delivering incremental services so that we're able to create more value on a per transaction basis. So, it's early. We've had this conversation, but the momentum is, I think, far greater than certainly we understood, but as important I think more than the outside world is understood.

Operator

Thank you. Our next question comes from Darrin Peller with Wolfe Research. You may go ahead.

Darrin Peller

Hey, guys. I just want to touch on -- look, if we hone in a bit more on the First Data growth, given the source of strength and upside versus prior rates. I mean again, you mentioned the strength in GBS continuing to trend well. If we could just break that down a little further on perhaps even in the US of the Partner Solutions business, the direct business, JVs, it seems like the partner solutions continues to really hold in their strong. And then, maybe just to add on to that, if you've seen any cross-sells on maybe -- has the Clover cross-sell into the digital banking side or just through your bank channels started yet, how has that been going?

Jeff Yabuki

So let me start and Frank will again add in -- will play off of each other on that. To answer your latter question first, we've seen exactly no revenue to-date from the bank channel. Lots of energy, as Frank talked about, 20 wins in 100 days and a large pipeline and lots of interest, which is particularly important now in a time where fee revenue is increasingly important and we're obviously looking to help our clients. So lots there. We are making real progress in deeply integrating the Clover technology into the digital solutions in which we control with our development shop. And so we don't have to deal with some of the exogenous factors that can get in the way of digital performance. So, from that perspective, that's all good. But again, to reiterate that's not in the numbers at this stage. It's really across the Board in merchant. Obviously, the things that we like to talk about are the digital commerce technologies and the things that are "a little sexier" than maybe some of the others. But partner solutions continues to be incredibly important, whether it is our business consultants who are out signing up merchants every day or signing a new ISV provider or a new e-commerce solution, it all comes together. And I think Bob in his prepared remarks talked about the fact that, that merchant locations overall are up double-digit year-over-year. And I think that really just talks to all things of what we're doing and how we're focused on driving the business in kind of one important vertical at a time.

Darrin Peller

And just one quick follow-up is on the bill pay cross-sell opportunity. Our checks are suggesting there's a pretty amount of white space in some of your enterprise clients at First Data still. Have you seen further evidence around that?

Jeff Yabuki

You heard Frank talk about the number of meetings that we've had with clients and talking about the power of the influential relationships. I mean, I think at this stage, the best way to frame it is, we're having a number of conversations that I don't think either of the original businesses will be having without having done this combination. So, we're bullish about that, but we also don't want the card ahead of the horse. We need to keep moving the processes along. But again, the conversations and the interest levels are quite high.

Operator

Thank you. Our next question comes from Ramsey El-Assal with Barclays. You may go ahead, sir.

Ben Budish

This is Ben Budish on for Ramsey. I wanted to ask a follow-up on an earlier question on the share repurchases. So it's nice to have the confidence to kind of start doing that immediately. Just wondering what kind of pace should we expect while you're paying down debt should be kind of more of the historical norm of quarterly repurchases or maybe I'm more muted into the debt to further pay down? And kind of as a follow-up to that, given that kind of confidence in your cash flow generation, should we maybe expect to see incremental M&A perhaps earlier than expected?

Jeff Yabuki

Yes. So, I would say, one of the things that was in our prepared remarks is to make sure that we pointed out that we're buying under a 10b5 plan. And so -- which means that we would expect to be regularly in the market. I would say that we will not be in the market at the pace that we were at before. We are absolutely committed to making sure that we meet our leverage commitments to the agencies and we will for sure do that. And that will come from a combination of cash flow generation, debt repayment and growing EBITDA. So, from that perspective, I think we will pace it well, but cash flow is strong and we feel good about that. We also had a couple of smaller divestitures in the quarter. And so, we'll be looking to create as much opportunity as we can to deploy capital as we have historically.

I would say that M&A itself is not a particularly high priority, differentiating and winning in the market is. And so, where there are opportunities for us to deploy capital for M&A and it's meeting our normal disciplined capital allocation deployment, then we're fine. But again, I think our number one priority is making sure that we meet our commitments from a leverage perspective. And then we take it from there.

Operator

Thank you. David Togut from Evercore ISI. You may go ahead, sir.

David Togut

Thank you and congratulations on the new Fiserv.

Jeff Yabuki

Thanks, David.

David Togut

You called out 46% integrated sales growth in the quarter, Jeff, which I believe is the highest integrated sales growth we've seen at least for Fiserv standalone. Are there any major drivers to call out behind that? Is this a pickup in bank IT band, specific solutions gaining more traction?

Jeff Yabuki

Yes, it really has to do more with the level of investment that we have been making in our solution sets over the last few years and building product and having that product come to market. And that product has been a combination of internal builds as well as some small M&A that we've done that is enhancing our overall value proposition, specifically in some of the not surprisingly in the digital arenas. So, from that standpoint, it is really just about products that we've built. And I don't know that I would count it to be around growth in bank IT spend, but I do think it is the -- it talks to the importance of making sure you're building solutions in the places that matter most for clients. It's also around areas like deposit transformation, risk, fraud, the normal areas, mobile, digital as we talked about. And then, we believe wholeheartedly that the merchant solutions that we're going to bring the integrated solutions that Frank talked about through Clover and others will even further enhance that.

David Togut

Understood. And then as a follow-up, the preliminary 2020 outlook, can you give us any broad outlines in terms of what you're thinking about for First Data organic versus payments and financial, and then how you're thinking about the cadence of revenue and cost synergies flowing in 2020?

Jeff Yabuki

Sure. I would say that at this stage a couple of things. Number one, this is not meant to be guidance. And the more detail that we give, the more Bob will not be happy with me. So I think we're going to keep it at a pretty high level. The second thing I would say is, remember that we intend to re-segment the company. And so, when we give guidance, we'll be giving it across a new segmentation model. And so, I think again getting ahead of that wouldn't make sense.

At the higher level, I can tell you that we feel quite comfortable that the kind of growth that is being delivered in the company is sustainable. And so, there's always going to have ranges around that sustainability. But generally, if you think about the former GBS segment of First Data, 10% growth in the quarter, 10% growth for the first three quarters. To us, that feels like a level of sustainability around that. And we think that each of our segments will continue to grow. You'll remember that it was important for us to look for, how could we continually and sustainably step-up internal revenue growth, and so we'll look to do that. And then, the last piece is around the synergies, right? And synergies, understand that -- as you know, synergies have to get sold and implemented. There are some things that come on faster than others. That's -- what I would say is, we would expect that to be more back-end loaded as some of the revenues come on. But again, we'll have to see how that all looks when we give guidance in February.

Operator

Thank you. Our next question comes from Brett Huff with Stephens Incorporated.

Brett Huff

Thank you for the preliminary goalposts around the '20 outlook. One thing that I'd like to know is, give us a sense of where there you could maybe do better than that, where there are kind of the tougher parts that you have to kind of perform better on it. Can you give us any -- just for instance is on the kind of upside downside drivers?

Jeff Yabuki

Sure. Again, Brett, remembering that we're not giving guidance, we'll give you -- we'll kind of try to give it to you at not the goalpost level, but maybe at the stadium level. So, we had talked about the fact that we expected revenue growth to be at least 7%. And there's a reasonable amount of variability as you start to move across the 50-odd line of the 7%. And that is, how does synergies come on, how quickly do they come on, how do sales go, how do implementations go. Probably the most important thing for us to lay out is, as we sit here today, a lot of things have to go right as always, but everything doesn't have to go right. And that we really thought a lot about what was going to be the right way for us to give this early visibility to '20. And so, we feel like this is a good solid number and that there'll be ways to outperform it. And as Bob will remind me later, there will be ways for us to underperform it. But we do feel on balance that we are in a pretty good place in terms of that -- in terms of the 7%.

Brett Huff

And then the follow-up is just more drilling down a little bit into the First Data segment. You told us about the GBS, which is really helpful. Any thoughts on the growth differential just qualitatively between the kind of the big JVs versus the more broad referral arrangements and kind of the longer tail of the bank channel. Can you give us any sense there on growth and maybe even profitability performance?

Frank Bisignano

Yes. It's Frank. I think you got to think about what we're doing today as continued investment and still getting better growth, right? And the JVs are always a good discussion to have. But I think you got to move to a bigger discussion, which is ISV growth, how long is that runway which is huge. This investment we made in Clover and the hundreds of people that we had developed it out that has us delivering as you heard caught in the

$100 billion GPD mark and growing at 40%. So, I think it's all the elements of it, and then what you heard us talking about in e-com. So, a little bit, I'd move away from the dialogue about a JV or a bank channel and move more. And yes, we love the bank channel. You hear us talk about 20 wins in 100 days through the privileged position that Fiserv had. But I would not try to understand each one of those. I would understand the macro trends of ISV, e-com, Clover and digital distribution.

Jeff Yabuki

Yes. And I think Brett the thing that's important here is, remember, as we move to more of a GAAP methodology for recognizing the revenue, we were able to unshroud some of the underlying performance in certainly in GBS in the subsegment, formerly known as GBS North America. We were able to unshroud that. Now there are contributions that come in. And I would say that we have had growth contributions from the JVs that are better than they were last year. I would also guess that, that is the smallest of the contributors. And to Frank's point, the other pieces of the business are growing faster and will be faster growth vehicles not because as Frank said the banks -- the bank channel and the JVs are not important, they're critically important and we're going to do everything we can to grow them. But we think that the seeds that have been planted in First Data for the last three or four years, whether it be Clover or BluePay or CardConnect or a lot of original or internal development, that it takes time for those products to be built and come to market. And so that's -- those are really the bigger drivers, just to reiterate Frank's commentary.

Operator

Thank you. Our next question comes from Ashwin Shirvaikar from Citi. You may go ahead, sir.

Ashwin Shirvaikar

Hi, Jeff, Frank, Bob, congratulations on the good start to the combined journey here.

Jeff Yabuki

Thank you, Ashwin.

Ashwin Shirvaikar

Yes. So, the question I have is the velocity at which you went from start to finish was remarkable for the bank wins you mentioned. Would be great to kind of get a little bit more granular on the -- on what's feeding that pace and urgency? And is it kind of limited to this subset of clients or prospects you're speaking with? Or can we make any broader suppositions about bank IT spending from there?

Jeff Yabuki

Yes, let me start, Ashwin, on that. It's a couple of things. I mean, when Frank and I got together and we talked about this, one of the many points of serendipity was Frank had believed that having an access to be able to get deep integration to a core processing system was really important. And then, we are the largest core processor in the U.S. and really in the world. And so that -- the ability to drive integration, different levels of integration and access to information will allow banks to create a more compelling integrated merchant experience for their customers, and also because these are revenue-sharing partnerships be able to create fee revenue. And you know Ashwin that fee revenue right now is really important. And so you've got a convergence where we love the fact that we not only are -- we have these great relationships with clients, but we get to pay them. And that -- we think that actually works quite well. And it speaks to the 20 wins in a 100 days. I just think it speaks to the fact that as we had talked about historically, especially at the smaller end of the ranges that Frank was talking about, you have banks that really haven't paid a lot of attention to it and they see this as a great opportunity to go out and serve their customers and to create some additional fee revenue. And Frank, I think I would say it's going a little bit better than I anticipated.

Frank Bisignano

Yes, I mean, off to a great start. Off to a great start.

Ashwin Shirvaikar

Great. And then a clarification I have is what portion of the 2019 outlook raise is due to synergies 4Q -- at least within Q4 forces the components themselves they seem to be doing better at this point?

Jeff Yabuki

Yes. I mean, the synergies, Ashwin, the synergies are very low for this quarter. There will be something less than very low in the next quarter. But as you know, we talked about the fact that we have actioned annualized run rate synergies of a couple of hundred million dollars. But the substantial majority of that is going to pop in next year. I would say that synergy the idea of synergies in our numbers for 2019 have not had any meaningful impact on how we have set our guidance. They're an important part of next year. And I would say that probably the biggest single driver of what some people consider synergies would be interest expense saves in our numbers vis-à-vis the prior original companies.

Operator

Thank you. Glenn Greene from Oppenheimer. You may go ahead.

Glenn Greene

I guess, the first question, it sounds like -- maybe I'm reading into this but it sounds like you're increasingly confident in the $500 million revenue synergy number. You've talked a bit about it but maybe the areas where specifically you see the upside opportunity relative to what you thought or incremental opportunities that you had are really fully appreciated early on that gives you more confidence in that $500 million?

Jeff Yabuki

Yes. I mean this privileged position that we have with the banks, until you go visit them and actually can talk to them, you're not really sure how it's all going to turn out. Now, we knew that we both had deep love of financial institutions and they were our lifeblood. But whether it would turn out this way wasn't all that clear. So, we feel good about how that's going to come out and over the long haul, be worth to heck a lot of money. I'd say, secondly, you heard us talk about international. That's probably something that most people and it's all only put the two together that we would be so bullish on. And I don't think we initially had it in our base case, so to speak, when we thought about it. Maybe we thought we'd save some money. But I think the revenue opportunity there is pretty large. And then, when you move to the spaces like our credit business and putting these two together, it becomes very clear. I'd like to say the biggest proof point for us has been the client's office, right? There's no better thing than Jeff and I have had the benefit of doing multiple client meetings together, and then obviously we do things separately. But it's so clear the power of the franchise and we always come out with more opportunities and more thought. Network will obviously, like credit will be big for us. Output is a tremendous opportunity. So, 100 days in, we feel better than we did when we saw it on the journey.

Glenn Greene

Yes.

Jeff Yabuki

And Glenn, we are -- I mean, I think you heard we have good confidence in the $500 million. And we also think it's prudent for us to wait until our Investor Day to really layout in detail how we see it coming together and where we may see opportunities to do a little bit better.

Glenn Greene

Okay. And then, just a follow-up question will be the bread selling environment. I mean I heard the 15% bookings growth in the quarter, but just some context on what you're seeing at a high level across the businesses. Your peers are obviously seeing really good results too. So it's kind of curious, a lot of concern about the macro economy, but a lot of companies in the sector are not seeing it. So I'm just curious what you're seeing?

Jeff Yabuki

Sure. So, I would say that you if you think about -- you have to think about at least for us -- for us original Fiserv people. We've had to open the aperture and we're happy to do it. We're not just serving primarily financial institutions anymore. We're serving really everyone who does something in the world of payments, commerce, money movement and fintech. And so, from that standpoint, when you think about the entire ecosystem, there's a lot going on. And what's happening in financial institutions is -- financial institutions are biasing their spend to areas in which it's most -- where it is most visible to their customers. So whether it's digital -- sorry, whether it's consumer or commercial by things that are digital, abilities to serve clients in an Amazon-like way that's really where you're seeing money go. And then, just money movement payments that entire space is just fraught with energy and innovation and everyone is looking to make sure that they're on the way. And because of the breadth of the company and the investments that we collectively have been making over the last few years, I think, we're fairly well-positioned. What we have to make sure that we continue to do is that we meet our commitments and deliver for our clients because that's really what they need most right now.

Operator

Thank you. Our next question comes from Kartik Mehta from North Coast Research. You may go ahead.

Kartik Mehta

Jeff, I think, I know the answer to this based on all your commentary for 2019 guidance and your outlook in 2020, but just wanted to get your thoughts. As you have conversations with banks and interest rates are moving all over the place and they're getting pressure on their net interest margin. I'm assuming that's not having an impact on their spend at least as far as you can see and that's the reason for your confidence in 2020. Is that kind of fair?

Jeff Yabuki

I would say -- I would say, it's probably too bold to say it's not having any impact on their spend, it is. But what we're seeing and we've seen this before is institutions are making choices. Perhaps their discretionary spend is going down or they're spending less on older systems and more on newer systems again where the institution meets the customer in the places that matter most. So, I do see that going on. And the conversations are how do we do more, and in times like this where you are a full-scale provider, you have opportunities to go in and win more business. And so, we're certainly hoping and building strategy around the fact that we think the suite that we bring on balance is the best in the market. And so, we're looking to Frank's point about how we have client conversations and there's more interest in doing things. There's a lot of opportunity to see, can you do things more efficiently and effectively as one larger enterprise. And so, that was one of the things, Kartik, that we liked about this transaction is, yeah, on one hand, there are some that say it's best to be pure play. We think being broad and the ability to put things together and integrate in new and innovative ways gives us a bit of a market advantage.

Kartik Mehta

And just one last question for you, Frank. As you look at Clover customers today versus a year ago, is there been a change in the type of customers that are using Clover? And as you see Clover evolve over the next, let's just -- for the sake of our conversation, take about 12 to 18 months, is that changed at all?

Frank Bisignano

I think the breadth of Clover continues to see it larger. I think if you go back in time, we talked about dining solutions and delivering to restaurants. So, our breadth that what our development teams are doing is continuing to build functionality that gives us more vertical depth. We've gone outside the U.S. You see us in Canada. You see us in Europe. You should expect the releases in Latin America. We've been tremendously advantaged as we were strategic in Argentina and how to capitalize on that change, and Clover was part of that strategy. I would also say as we continue to build out functionality with the combination of our ISV solution in Clover, the ability to bring the two together for a best-in-class solution for merchants who use integrated software is what you'll see happen. So, the answer -- the short answer is yes, and the rest was the description of how and where.

Jeff Yabuki

Thanks, Kartik. And thank you, everyone, for joining us this afternoon. We really appreciate your support. If you have further questions, please don't hesitate to contact our Investor Relations team. Have a great evening.

Operator

Thank you. This concludes today’s conference. You may disconnect at this time.