9 January 2013 │ 59 pages

Payment / Payroll Processors 2013 Outlook

Go For Growth; Buy VNTV, MA, NTSP, FIS, FLT; Sell PAYX

- **Key Takeaway(s)** — Rather than looking for an overarching theme or driver for the Processors in our sector in 2013, we believe it is important to focus on specific stock appreciation potential. Stocks that offer better growth (VNTV, MA, NTSP, FLT) and total return (such as FIS) should also perform better, in our view – meanwhile, we continue to have a Sell on PAYX. When we overlay valuation metrics – given the wide dispersion of growth potential, we favor PEG – on this group of stocks, it fortunately supports our picks as well. Buy VNTV, MA, NTSP, FIS, FLT. Sell PAYX.
- **Summary of Changes** — Specifics are in the table below. We raised our estimates and price targets for FIS, FLT and ADS. Also, we raised our price targets on VNTV and FISV. Earlier this week we had raised our price target for MA, which is jointly covered with Don Fandetti. Lastly, we are upgrading WXS to Neutral from Sell.
- **Buy VNTV** — VNTV's +20% post-IPO return was in spite of multiple secondary offerings in 2H12. VNTV can sustain multi-year 10%+ top-line and 15%+ EPS growth, in our view, based on market-share gains, new channels and integrated offering. There is likely upside to our estimates due to the recent accretive Litle acq.
- **Buy FIS** — FIS' +34% return in 2012 was balanced between EPS growth and P/E expansion – in 2013 we look for stock appreciation to be driven mostly by continued EPS growth and healthy dividend. Recent contract wins drive the incremental growth and we believe there will be continued traction in this area.
- **Buy NTSP** — While NTSP was +46% in 2012, this was driven by EPS growth with very modest P/E expansion. New relationships should drive growth as they ramp in 2013-14; the diversified channel strategy remains key to success; and NTSP should continue to gain share in the retail channel along with Chase and Bluebird.
- **Buy MA** — MA's +32% return in 2012 was driven by global growth, mix shift to e-payments, pricing power, scale benefits due to network-based model and share buybacks. We believe these factors should also help in 2013.
- **Buy FLT –** FLT's 80% return in 2012 topped the group and was driven by P/E expansion and growth / positive revisions. For 2013, we look for EPS upside and growth to drive strong returns through organic trends and M&A accretion. Additional M&A is likely and would drive further upside to our above consensus ests.
- **Other Comments** — We continue to like PAY – while 2012 was a terrible year for the stock, we believe 2013 should be a bounce-back year. Lastly, on Sell-rated PAYX, we expect its customer addition struggles to continue and cannot justify its premium valuation – note also the lack of a dividend payment until late summer.

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See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

Data Summary

		Rating		Target Price		Current Year Earnings Estimates	
Company	**Ticker**	**Old**	**New**	**Old**	**New**	**Old**	**New**
Automatic Data	ADP	2	2	US$60.00	US$60.00	US$2.92	US$2.92
Alliance Data	ADS	2	2	US$155.00	US$165.00	US$8.67	US$8.75
Fidelity Ntl Inf	FIS	1	1	US$38.00	US$41.00	US$2.53	US$2.53
Fiserv Inc	FISV	2	2	US$82.00	US$86.00	US$5.17	US$5.17
Fleetcor	FLT	1	1	US$56.00	US$65.00	US$2.93	US$2.94
Green Dot Corp	GDOT	2	2	-	-	US$1.36	US$1.36
Global Payments	GPN	1	1	US$52.00	US$52.00	US$3.66	US$3.66
MasterCard	MA	1	1	US$590.00	US$590.00	US$22.04	US$22.04
Netspend Hld	NTSP	1H	1H	US$13.50	US$13.50	US$0.58	US$0.58
VeriFone Systems	PAY	1	1	US$47.00	US$47.00	US$3.27	US$3.27
Paychex Inc	PAYX	3	3	US$29.00	US$29.00	US$1.59	US$1.59
Total Sys Svcs	TSS	2	2	US$23.00	US$23.00	US$1.29	US$1.29
Visa	V	2	2	US$168.00	US$168.00	US$7.25	US$7.25
Vantiv	VNTV	1	1	US$24.00	US$25.00	US$1.18	US$1.18
Western Union	WU	1	1	US$14.50	US$14.50	US$1.68	US$1.68
WEX Inc	WXS	3	2	US$66.00	US$79.00	US$4.07	US$4.07

Why We Like the Processors

Investors will note that we have several Buy ratings in this segment of our coverage – in fact, we have a Buy on 50% of the 16 stocks we cover in this segment and just one Sell rating. This is an intentional stance.

Why we like the processors: Stable revenue base with a bias towards above-market growth – in fact, 14/16 names should grow top-line better than the S&P 500 average, in our view; Healthy margins with a bias towards improvement; Robust balance sheets that promote inorganic growth and capital return to shareholders.

Over time, we have tended to favor this segment of our broader coverage due to the presence of secular themes such as electronification of payment transactions in the U.S. and globally. This has tended to be a powerful driver of growth over time and 2013 is unlikely to be an exception. The companies we cover are the leaders in the sub-segments among processors – so they also have good market positions. Due to the strong market positions, even though there is always a dependence on economic cycles, the impact is often less than feared. The base of transactions is large and so the delta due to an economic impact is often quite small in terms of financial impact. Moreover, these names can benefit from market share gains; the ability to invest and innovate, often better than smaller competitors, keeps them relevant to the customer base. All in, the revenue base tends to be stable, with a growth bias. Against stocks in other sectors, this is an advantage, in our view.

These names can build on their growth advantage since they have healthy margins, which tend to improve over time due to the presence of scale benefits. Further, the robust balance sheets position these names well in terms of capital return.

Our Relative Stance within the Sector

Figure 1 shows the various sub-segments within the processing space. We also provide a brief description of what is important to each sub-segment and the reasons for our preferred rating distribution.

Figure 1. Segment Attributes and Preferences within Processors

	BUY	NEUTRAL	SELL	Segment Comments	Rating Comments
Card Networks	MA	V		Electronification (+); Globalization (+); Disruption is sometimes feared but unlikely; Economic fears have not really panned out as secular has trumped cyclical, rather unusually; Pricing power	Modestly favor MA over V due to better longer-term global growth prospects
Bank Processors	FIS	FISV		High ~85% revenue visibility; Ability to grow through account growth, transaction growth, new product / channel penetration; Margin improvement; Capital return	Recently downgraded FISV after a multi-year rise in P/E; FIS should have better growth than FISV due to higher international revs FIS also has better margin improvement potential and total return due to its dividend.
Acquirers and Issuers	VNTV	TSS		Transaction growth underpins revenue growth	VNTV has superior growth and margin profile and should sustain; Lot to like about TSS but we cannot get there on relative valuation
	GPN				
Prepaid	NTSP	GDOT		Growth opportunity is real but the ~68 million market is not homogenous; Diversified distribution strategy is important; Perceived competitive risk and Reg risk keeps these stocks volatile	Prefer NTSP over GDOT due to diversified distribution strategy and a pricing profile that seems more defensible than is widely believed.
Fleet Cards	FLT	WXS		Strong recurring revenues and margins; Active M&A environment with deals typically accretive right away; Cyclical factors weigh to some degree on near-term organic growth outlook	Upgrading WXS to Neutral but continue to prefer FLT in the sector given its more favorable organic growth and more aggressive stance on capital deployment
Payroll		ADP	PAYX	Stable and High Margin; Dependence on employment and interest rates is a downer in current macro environment	The valuation on both stocks is problematic but PAYX is modestly worse due to its focus on the small-business market.
Other	PAY	ADS		Good secular growth in POS terminals despite high degree of competitive noise; Private label business is main driver of growth for ADS	Look for bounce-back year for PAY as growth continues and potential multiple recovery. ADS should have good results but this is largely priced-in.
	WU			Cyclical factors continue to hold back growth and pricing concerns weigh in the near-term. Still a good recurring, cash generator.	Maintain Buy on WU as pricing actions have a good track record historically. Cash return story should attract value investors.

Source: Citi Research

Growth and Total Return in 2013

Figures 2-5 below show our processor coverage sorted in multiple ways.

- Figure 2 illustrates the healthy top-line growth expectations for most of our covered processors and the accumulation of (five of the eight) Buy ratings among the upper half of the list.
- Figure 3 indirectly illustrates the operating leverage and balance sheet strength of these names, given the typically higher EPS growth relative to the revenue growth in Figure 1. It also shows a similar distribution of (five of the eight) Buy ratings among the names that deliver the higher EPS growth.

Figure 2. Our Coverage Universe – Sorted by Revenue CAGR

Ticker	Y/Y Growth CY 2013E	Rev CAGR 14E/12E	Action
NTSP	19.6%	17.3%	Buy
WXS	17.9%	13.6%	Upgrading
ADS	18.0%	13.0%	
MA	11.8%	11.1%	Buy
VNTV	10.8%	11.0%	Buy
FLT	13.0%	10.7%	Buy
V	10.0%	10.2%	
PAY	9.3%	9.7%	Buy
GPN	8.4%	8.5%	Buy
ADP	7.5%	7.6%	
TSS	5.3%	6.1%	
PAYX	5.8%	6.0%	Sell
FIS	4.6%	4.9%	Buy
GDOT	(2.8%)	4.8%	
FISV	3.8%	4.1%	
WU	(1.8%)	1.3%	Buy

Source: FactSet, Citi Investment Research and Analysis

Figure 3. Our Coverage Universe – Sorted by EPS CAGR

Ticker	Y/Y Growth CY 2013E	EPS CAGR 14E/12E	Action
NTSP	29.9%	24.3%	Buy
MA	17.3%	16.7%	Buy
ADS	13.7%	16.6%	
PAY	18.4%	16.5%	Buy
FLT	19.0%	15.9%	Buy
WXS	25.4%	15.8%	Upgrading
V	15.8%	15.3%	
VNTV	16.3%	14.6%	Buy
FISV	11.4%	11.8%	
TSS	10.8%	11.8%	
FIS	11.2%	11.7%	Buy
ADP	11.4%	11.2%	
GPN	8.3%	9.7%	Buy
PAYX	7.1%	7.4%	Sell
GDOT	(4.4%)	5.1%	
WU	(13.8%)	-1.0%	Buy

Source: FactSet, Citi Investment Research and Analysis

Buy-rated names that do not score so high on the Growth Front

There are three such names – FIS, GPN and WU – based on the tables above.

1. The FIS rationale is simple – while it has a middle-of-the-pack 11.7% EPS growth expectation for 2013, it also has a solid 2.2% dividend yield and this brings us to a ~14% total return. We also believe there is possible upside to estimates here because of recently signed contracts and traction. So, the Buy case is straightforward.

2. GPN just reported and beat expectations – again we believe there is some upside likely to estimates. More importantly, we believe 2013 could be a bounce-back year for the stock after a tough 2012 in which it was hurt by a data breach (now behind it); a poorly received acquisition (actually, doing well); worsening in Canada business (getting less worse, easy comps). So, the Buy on GPN is justifiable as well.

3. For WU, it is frankly a longer-term story than just 2013. The late-2012 pricing hit and continued tough macro make this stock largely one that is suitable for deep-value investors with a multi-year time frame.

- Figures 4-5 show that while we prefer growth, we remain valuation-sensitive. Most of our Buy-ratings have lower PEGs.

Figure 4. Our Coverage Universe – Sorted by PEG

Ticker	P/E CY 2012	P/E CY 2013	CY 12-14E EPS CAGR	2013 PEG	Action
PAY	10.9x	9.2x	17%	0.6x	Buy
NTSP	21.3x	16.4x	24%	0.7x	Buy
ADS	17.7x	15.6x	17%	0.9x	
WXS	18.9x	15.0x	16%	1.0x	Upgrading
FLT	19.0x	15.9x	16%	1.0x	Buy
VNTV	17.8x	15.3x	15%	1.0x	Buy
FIS	14.1x	12.8x	12%	1.1x	Buy
FISV	15.8x	14.2x	12%	1.2x	
MA	23.5x	20.0x	17%	1.2x	Buy
GPN	12.8x	11.8x	10%	1.2x	Buy
TSS	17.5x	15.8x	12%	1.3x	
V	24.6x	21.2x	15%	1.4x	
ADP	21.5x	19.3x	11%	1.7x	
GDOT	9.7x	10.2x	5%	2.0x	
PAYX	20.7x	19.3x	7%	2.6x	Sell
WU	8.1x	9.4x	-1%	NA	Buy

Source: FactSet, Citi Investment Research and Analysis

Figure 5. Our Coverage Universe – Sorted by 2013 P/E

Ticker	P/E CY 2012	P/E CY 2013	CY 12-14E EPS CAGR	2013 PEG	Action
PAY	10.9x	9.2x	17%	0.6x	Buy
WU	8.1x	9.4x	-1%	NA	Buy
GDOT	9.7x	10.2x	5%	2.0x	
GPN	12.8x	11.8x	10%	1.2x	Buy
FIS	14.1x	12.8x	12%	1.1x	Buy
FISV	15.8x	14.2x	12%	1.2x	
WXS	18.9x	15.0x	16%	1.0x	Upgrading
VNTV	17.8x	15.3x	15%	1.0x	Buy
ADS	17.7x	15.6x	17%	0.9x	
TSS	17.5x	15.8x	12%	1.3x	
FLT	19.0x	15.9x	16%	1.0x	Buy
NTSP	21.3x	16.4x	24%	0.7x	Buy
ADP	21.5x	19.3x	11%	1.7x	
PAYX	20.7x	19.3x	7%	2.6x	Sell
MA	23.5x	20.0x	17%	1.2x	Buy
V	24.6x	21.2x	15%	1.4x	

Source: FactSet, Citi Investment Research and Analysis

- Figure 6, which is repeated from our recently published weekly, provides a historical basis. A growth / capital return bias actually resulted in a better "total return" track record in 2012 as well.

Figure 6. Ranked 2012 Performance and Attribution for Payment Processing & Computer Services Companies

Ticker	As of 12/30/2011* Closing Price	As of 12/30/2011* Forward 12-mo P/E	As of 12/31/2012 Closing Price	As of 12/31/2012 Forward 12-mo P/E	Total Return	Attribution: Expected EPS Growth	Attribution: Estimate Revision	Attribution: P/E Expansion	Comments
FLT	$29.87	12.2x	$53.65	16.6x	**80%**	13%	20%	36%	Reasonable balance between EPS and P/E growth drive performance
V	$101.53	17.6x	$151.58	20.7x	**50%**	16%	12%	18%	
NTSP	$8.11	14.3x	$11.82	15.3x	**46%**	30%	3%	7%	EPS Growth drove stock performance
ADS	$103.84	12.2x	$144.76	15.4x	**39%**	12%	2%	26%	
WXS	$54.28	13.0x	$75.37	15.4x	**39%**	22%	(3%)	18%	
FISV	$58.74	11.5x	$79.03	14.0x	**35%**	11%	1%	22%	Reasonable balance between EPS and P/E growth drive performance
FIS	$26.59	10.8x	$34.81	12.7x	**34%**	10%	3%	18%	Reasonable balance between EPS and P/E growth drive performance
MA	$372.82	16.6x	$491.28	19.8x	**32%**	16%	(1%)	19%	
VNTV	$17.00	NA	$20.42	14.9x	**20%**	16%	NA	NA	EPS Growth drove stock performance
Above-listed Stocks Beat the Market									
TSS	$19.56	15.3x	$21.42	15.6x	**12%**	11%	1%	2%	EPS Growth drove stock performance
ADP	$54.01	19.9x	$56.93	19.1x	**8%**	11%	2%	(4%)	EPS Growth drove stock performance
PAYX	$30.11	20.2x	$31.10	19.3x	**8%**	7%	4%	(4%)	EPS Growth drove stock performance
GPN	$47.38	13.6x	$45.30	12.0x	**(4%)**	10%	2%	(12%)	P/E Contraction over-rode EPS gains
PAY	$35.52	14.2x	$29.68	9.1x	**(16%)**	18%	13%	(36%)	P/E Contraction over-rode EPS gains
WU	$18.26	10.6x	$13.61	9.3x	**(23%)**	(14%)	(2%)	(12%)	
GDOT	$31.22	14.3x	$12.20	9.7x	**(61%)**	(4%)	(38%)	(32%)	

Source: Source: Factset, Citi Research

* For VNTV the starting point is the IPO issue price as they were not trading on 12/30/2011

Company Focus

Alliance Data Systems Corp (ADS)

Strong 2013 Largely Priced-In; PT to $165; Maintain Neutral

- Company Update
- Target Price Change
- Estimate Change

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Neutral	**2**
Price (09 Jan 13)	US$156.00
Target price	US$165.00
from US$155.00	
Expected share price return	5.8%
Expected dividend yield	0.0%
Expected total return	**5.8%**
Market Cap	US$7,777M

Price Performance
(RIC: ADS.N, BB: ADS US)

- **2013 Outlook / Themes** — In 2013, we are looking for another solid year of results from ADS. As discussed below, we are raising our forward forecasts to account for recent M&A and better trends in Private Label. Additionally, we see other possible drivers of upside, including additional wins in Private Label and/or share repurchases (potentially through expiring warrants in Aug-2013). That said, our model still calls for a deceleration in EPS growth this year and next as profitability gains in Private Label will likely be less material than in recent years. With the other two segments (LoyaltyOne and Epsilon) still growing below average on an organic basis, we believe ADS will struggle to materially improve its valuation multiple, which has recently expanded quite a bit. We are adjusting our target to account for our model changes and the recent gains, but we are maintaining our Neutral rating on ADS.

- **Our 2013 Estimates** — We are raising our 2013 adj. EPS forecast for ADS by $0.20 to $9.95 (+14% y/y). This adjustment accounts for accretion from the recent HMI acquisition and better performance in Private Label, offset by share dilution related to the recent stock run – each of these influence EPS by ~$0.20. Our revised forecast is $0.18 (~2%) above consensus and $0.45 (~5%) above mgmt's guidance, both of which largely do not include the HMI acquisition. On a revenue basis, we are looking for sales of ~$4.3 bil, which implies growth of ~18% y/y, of which ~8% is due to the HMI deal (~10% organic). We are also increasing our 2014 EPS estimate by $0.30 to $11.90 (+20% y/y) to reflect the factors above. The impact to 2014 is greater due to expected growth and synergies from HMI, as well as a lower share count as phantom shares expire.

- **Target Price to $165; Maintain Neutral** — We are raising our target price on ADS to $165 (from $155). The increase is split roughly half by an increase in our 2014 adj. EPS forecast (described above) and a modest increase to our target multiple to 13.5x (from 13x) to account for recent trading ranges. While we expect ADS to generate positive returns for investors in 2013 through a combination of earnings revisions and growth, the stock's premium multiple relative to its peers and own trading history keep us on the sidelines for now. We could revisit this stance if further upside drivers for long-term growth become more visible.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	2.03A	1.75A	2.16A	1.70A	7.63A	7.63A
2012E	**2.38A**	**2.13A**	**2.37A**	**1.89E**	**8.75E**	**8.65E**
Previous	2.38A	2.13A	2.37A	1.81E	8.67E	na
2013E	**na**	**na**	**na**	**na**	**9.95E**	**9.77E**
Previous	na	na	na	na	9.75E	na
2014E	**na**	**na**	**na**	**na**	**11.90E**	**11.61E**
Previous	na	na	na	na	11.60E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Data Processing & Outsourced Services (GICS) | Computer Services and IT Consulting (Citi)
North America | United States

Company Focus

Automatic Data Processing Inc (ADP)

Steady Growth and Solid Dividend Not Enough for Buy Rating

- Company Update

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Neutral	**2**
Price (09 Jan 13)	US$58.91
Target price	US$60.00
Expected share price return	1.9%
Expected dividend yield	3.0%
Expected total return	**4.8%**
Market Cap	US$28,599M

Price Performance
(RIC: ADP.O, BB: ADP US)

- **2013 Outlook / Themes** — In 2013 we are looking for modest stock appreciation and a solid dividend yield to generate positive returns for ADP investors, albeit not enough to justify a Buy rating. Historically, employment trends and interest rates have been the primary driver of ADP's stock performance, and we are looking for fairly stable trends on this front in 2013. The tepid small business environment in the US is likely to weigh on ADP's most profitable business, though better trends in the auto sector can drive better growth in Dealer. Overall, our expectations are largely in-line with consensus expectations and guidance and we see limited upside in ADP's valuation, which caps our upside expectations for the stock.

- **Our FY13-14 Estimates** — We are forecasting FY13 revenue for ADP of $11.3 bil (+6% y/y), which is in-line with consensus and guidance of +5-7%. For EPS, our $2.92 forecast is $0.01 ahead of consensus and our 7% growth is at the high end of management's +5-7% guidance range. Note that our forecast includes incremental share repurchases, which is not factored into guidance. Similarly, our FY14 revenue forecast of $12.1 bil (+7.5% y/y) is in-line with consensus expectations, while our EPS expectation of $3.24 (+11% y/y) is $0.06 ahead of consensus, like due to share repurchase assumptions again.

- **Reiterate Neutral Rating and $60 Target Price** — Based on our estimates, we believe ADP is on track to deliver high single digit to potentially low double digit EPS growth in CY13. Combined with an attractive dividend yield of ~3.0%, you could argue that ADP is a good investment for the year to come. That said, we worry about possible P/E multiple contraction on the stock given its premium valuation. ADP's CY13 P/E of ~19x is above the 5-year average of ~17.5x while its relative multiple to the market is at a 50% premium, also above the ~40% average over the past five years. Given our expectation for a fairly stable employment and interest rate environment and potential competitive fears related to SaaS-based players such as WDAY and ULTI, we believe sustaining or increasing its multiple may be tough for ADP. We are maintaining our Neutral rating and $60 price target.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.61A	0.67A	0.91A	0.52A	2.72A	2.74A
2013E	**0.62A**	**0.70E**	**1.02E**	**0.57E**	**2.92E**	**2.91E**
Previous	0.62A	0.70E	1.02E	0.57E	2.92E	na
2014E	**na**	**na**	**na**	**na**	**3.24E**	**3.18E**
Previous	na	na	na	na	3.24E	na
2015E	**na**	**na**	**na**	**na**	**3.59E**	**3.52E**
Previous	na	na	na	na	3.59E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

- Company Update
- Target Price Change
- Estimate Change

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Buy	**1**
Price (09 Jan 13)	US$35.82
Target price	US$41.00
from US$38.00	
Expected share price return	14.5%
Expected dividend yield	2.2%
Expected total return	**16.7%**
Market Cap	US$10,502M

Price Performance
(RIC: FIS.N, BB: FIS US)

Fidelity National Info Svcs, Inc (FIS)

Steady Growth, Attractive Valuation Make FIS a Buy

- **2013 Outlook / Themes** — In 2013 we expect FIS' stock appreciation will be driven by a continuation of solid underlying fundamentals including (i) good sales execution, (ii) utilizing its scale to drive operating efficiencies and modest margin improvement, and (iii) ongoing return of cash to shareholders and opportunistic debt refinancing. We believe FIS is well positioned to deliver on each of these fronts. On the demand side, we look for stable-to-improving client demand particularly in the areas of payments, online, mobile, and professional services, and continue to expect International growth to be a positive catalyst to the top-line. We highlight a few recent deals which should help to contribute to forward growth: (i) FIS' agreement to roll out/manage ATMs across India representing ~$100 mil of revs or 150 bps of growth when the deal hits full run-rate by 2014/15; (ii) a large core banking contract in Vietnam; (iii) good early acceptance rates for the PayNet product; and (iv) its support for AXP's Bluebird prepaid product. In addition, FIS resolved the single most significant client contract issue it faced in 2013 when it announced a new and expanded 5-year deal with BMO/M&I. FIS still faces a headwind from BMO in 2014 as termination fees roll-off, but we are reasonable confident in FIS' ability to fill the gap over the next 12 months. With respect to the company's commitment to return cash to shareholders we note FIS' recent agreement to repurchase $200 mil of its stock from Warburg, and of course, its $0.80/share dividend remains in effect. FIS must resolve the hiring of a new CFO given Mike Hayford's retirement, but we expect a thorough and thoughtful search. Given our outlook for the company and attractive valuation (see below) we view FIS as a solid core Buy opportunity.

- **Our 2013 Estimates** — We estimate 2013 revs of $6.07 B (+4.6% y/y, 4.9% CC) driven by 4% growth in FI, 2.7% growth in Payments, and 9% international growth. Our top-line forecast is in line with FIS' medium term 4-7% growth rate targets and the consensus estimate. We look for adjusted EBITDA of $1.85 B (30.4% margins). We have raised our 2013 adj. EPS estimate to $2.81 (from $2.79) reflecting modest tweaks to non-operating items and adjustment to our 2013 share buyback estimates.

- **Reiterate Buy Rating and Raising Target Price to $41** — Based on our estimates, FIS can deliver relatively safe 3-year EPS CAGR of 12% driven by ~5% organic revenue growth, 30-50 bps of annual EBITDA margin expansion, and share buybacks/deleveraging. With FIS trading at ~12.8x our 2013 EPS, its valuation is attractive versus its only real comp, Fiserv, which trades at a P/E of 14.3x, as well as its own historical forward multiple range. Our $41 target price is based on our new $2.81 EPS est. and unchanged 13-15X P/E target.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.43A	0.54A	0.60A	0.65A	2.22A	2.27A
2012E	**0.53A**	**0.66A**	**0.63A**	**0.70E**	**2.53E**	**2.52E**
Previous	0.53A	0.66A	0.63A	0.70E	2.53E	na
2013E	**na**	**na**	**na**	**na**	**2.81E**	**2.81E**
Previous	na	na	na	na	2.79E	na
2014E	**na**	**na**	**na**	**na**	**3.15E**	**3.13E**
Previous	na	na	na	na	3.12E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

Fiserv, Inc. (FISV)

Limited Catalysts and Valuation Keeps at Neutral for FISV

- Company Update
- Target Price Change

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Neutral	**2**
Price (09 Jan 13)	US$82.62
Target price	US$86.00
from US$82.00	
Expected share price return	4.1%
Expected dividend yield	0.0%
Expected total return	**4.1%**
Market Cap	US$11,028M

Price Performance
(RIC: FISV.O, BB: FISV US)

- **2013 Outlook and Themes** — We look for stable client demand, modest margin improvement, and use-of-cash to highlight the value inherent to Fiserv in 2013. The positives to the story include: (i) FISV has already guided to internal revenue growth acceleration in 2013 above the 2012 rate – however we would characterize this as a modest uptick; (ii) we are reasonably confident that FISV should attain its 30-50 bps year/year margin improvement goals, and (iii) FISV will continue to return meaningful cash to shareholders through significant share repurchases – we doubt its dividend policy is likely to change given proposed capital gains tax legislation. On the risk side, we highlight that estimated 2013 revenue growth acceleration could be slower to materialize, or might be below current expectations, due to the major Bank of America contract renegotiation and M&A driven core client de-conversion which will potentially create a 100 bps or more headwind to revenue growth. These factors could represent another step back from the meaningful revenue acceleration investors have been waiting for on this name for some time. Bottom line, while we like FISV the company, we believe the valuation now reflects the known positives and negatives facing the business in 2013. Its one year forward P/E has expanded from 10x to 14x over the past 12 months, and we now see limited upside to our current 2013 P/E target range of 13x to 15x and newly raised $86 target price.

- **Our Estimates** — We estimate 2013 total revenues of $4.71 B ($4.4 B adjusted), representing 4% y/y internal growth. Our top-line forecast assumes 3.5% internal growth in the FI segment and 4.5% growth in Payments. We look for adj. operating income of $1.33 B (30.2% margin) and pro forma EPS of $5.76 (+11% y/y). Our revenue and operating profit are in line with the consensus estimate of $4.73 B and $1.32 B, respectively, while our EPS outlook is $0.02 below the Street average.

- **Reiterate Neutral Rating; Target Price to $86** — We do believe Fiserv has the ability to grow EPS in the low double digits (11%-13%) over the next two years. through (i) slowly accelerating organic revenue growth, (ii) annual margin improvement of 30-50 bps, and (iii) debt repayment and significant share buybacks. We maintain our Neutral rating, however, primarily due to valuation. Applying the high end of our 2013 target multiple range of 13x-15x to our $5.76 EPS estimate yields a $86 target price. With ~4% upside from the current market price, we do not have sufficient upside to recommend the stock.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	1.02A	1.13A	1.16A	1.27A	4.58A	4.58A
2012E	**1.20A**	**1.28A**	**1.27A**	**1.43E**	**5.17E**	**5.17E**
Previous	1.20A	1.28A	1.27A	1.43E	5.17E	na
2013E	**na**	**na**	**na**	**na**	**5.76E**	**5.78E**
Previous	na	na	na	na	5.76E	na
2014E	**na**	**na**	**na**	**na**	**6.46E**	**6.45E**
Previous	na	na	na	na	6.46E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

- Company Update
- Target Price Change
- Estimate Change

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Buy	**1**
Price (09 Jan 13)	US$55.95
Target price	US$65.00
from US$56.00	
Expected share price return	16.2%
Expected dividend yield	0.0%
Expected total return	**16.2%**
Market Cap	US$4,729M

Price Performance
(RIC: FLT.N, BB: FLT US)

FleetCor Technologies Inc (FLT)

Look for Strong Growth to Drive Returns for FLT in 2013

- **2013 Outlook / Themes** — In 2013, we look for FLT to build on a very robust 2012 and deliver strong returns for investors mainly through positive estimate revisions and strong EPS growth. We look for FLT to lead the way with solid organic top- and bottom-line growth in 2013 and think there is additional upside to forecasts through synergistic and growth actions taken with recently completed M&A. We are raising our forecasts to account for the recent share repurchase and more favorable fuel price assumptions (based on futures) and we are now materially above consensus for this year. Additionally, we expect FLT to remain active in terms of capital deployment this year, through potential M&A, strategic partnerships and / or further share repurchases. While the stock's valuation is a premium to the group, we believe FLT's strong track record and go-forward potential warrants such a multiple. Maintain Buy on FLT.

- **Our 2013 Estimates** — We are raising our 2013 adj. EPS forecast for FLT by $0.20 to $3.50 (+19% y/y). This adjustment builds in accretion from FLT's recent $200 mil share buyback (~$0.13), as well as more favorable fuel price comparisons on a year-over-year basis to account for the recent rally in futures prices. Our 2013 revenue forecast is now $779 mil, which represents growth of ~13% compared to our 2012 forecast. Of this growth, roughly 5%-6% is attributable to already completed acquisitions. We are also increasing our 2014 EPS estimate by $0.25 to $3.95 (+13% y/y) to reflect the factors above. The impact to 2014 is greater due to flow to growth effects on the share buyback. Our revised forecasts for 2013-14 are $0.14 (6%) and $0.15 (4%) ahead of consensus expectations.

- **Target Price to $65; Maintain Buy** — We are raising our target price on FLT to $65 (from $56). The increase is driven by our higher forecasts (outlined above) and an increase in our target multiple (now 15.6x, from 14x) to reflect recent trading ranges (2013 P/E is ~16x) and our higher growth forecasts. We believe FLT has ample opportunities to drive strong earnings growth this year through a combination of organic expansion, accretion from recent M&A and potential accretive actions like M&A and/or share repurchases. We do not believe consensus reflects much of this potential and we see FLT delivering upside to forecasts as we move through the year. While multiple expansion will be more difficult to come by this year, we do not view FLT as expensive relative to this growth profile. Maintain Buy.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.47A	0.57A	0.57A	0.56A	2.17A	2.17A
2012E	**0.60A**	**0.73A**	**0.83A**	**0.78E**	**2.94E**	**2.91E**
Previous	0.60A	0.73A	0.83A	0.77E	2.93E	na
2013E	**na**	**na**	**na**	**na**	**3.50E**	**3.36E**
Previous	na	na	na	na	3.30E	na
2014E	**na**	**na**	**na**	**na**	**3.95E**	**3.81E**
Previous	na	na	na	na	3.70E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

■ Company Update

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Buy	**1**
Price (09 Jan 13)	US$48.77
Target price	US$52.00
Expected share price return	6.6%
Expected dividend yield	0.2%
Expected total return	**6.8%**
Market Cap	US$3,847M

Price Performance
(RIC: GPN.N, BB: GPN US)

Global Payments, Inc. (GPN)

Outlook for Improved Performance & Attractive Valuation

- **2013 Outlook / Themes** — GPN seems to be set up for a much better 2013 following relatively poor 2012 stock performance. (1) The data breach is, for all practical purposes, resolved and GPN should emerge as a stronger company from a data protection standpoint. (2) The APT acquisition, which some investors initially disliked and we characterized as rich, is performing well and should add to margin stability to the N. America segment. Note that ISO related pressure on margins will be a persistent factor in the U.S., but this should not be a surprise to investors. (3) Expected price increases in the Canada market should help to offset some the spread compression impacts in that business – i.e., we expect Canada should get "less bad" in the back half of 2013 from a top-line and margin perspective. (4) When considering GPN's regional growth metrics over the past two quarters combined with management's recent 2Q13 commentary and our own checks, we believe GPN can beat its 7-9% revenue growth outlook for FY13. (5) GPN's recently raised share buyback authorization give us further comfort that its EPS targets are quite achievable. Bottom line, with GPN trading at 12x our FY May-14 EPS estimate, we believe GPN's stock is undervalued relative to its peers and growth prospects, and has the ability to outperform over the course of the year, particularly as investors begin to focus on accelerating FY14 earnings growth. Some key questions do remain with respect to Asia-Pac growth and the longer-term intentions of some of its U.S. ISO partners possibly looking to become independent processors, but we believe at current levels, investors are properly protected to the downside.

- **Our Estimates** — For the FYE May-13 we look for total revs of $2.39 B (+8.7% y/y), in line with consensus guidance of 7-9% growth. Our adj. operating income estimate of $473 M represents 3.3% y/y growth and 19.7% margin. As a reminder GPN's FY13 margins will be hurt by incremental platform investments following the data breach. Our FY13 adjusted EPS estimate of $3.66 in line with consensus and at the high end of GPN's $3.59-$3.66 outlook.

- **Maintain Buy Rating and $52 Target Price** — We rate GPN a Buy because we consider its end-market attractive due to its large opportunity size and the underlying secular trend toward card-based payments. Further, we believe that GPN's channel strategy supports consistent above-market top-line growth and its operating model is inherently attractive in terms of cash-generation. While FY13 growth will be muted, relative to GPN's long-term prospective growth and its publically traded comps, we find valuation quite attractive at current levels.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.88A	0.86A	0.83A	0.97A	3.53A	3.53A
2013E	**0.87A**	**0.93A**	**0.87E**	**0.99E**	**3.66E**	**3.68E**
Previous	0.87A	0.93A	0.87E	0.99E	3.66E	na
2014E	**na**	**na**	**na**	**na**	**4.08E**	**4.07E**
Previous	na	na	na	na	4.08E	na
2015E	**na**	**na**	**na**	**na**	**4.52E**	**4.49E**
Previous	na	na	na	na	4.52E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Citi Research

Consumer Finance (GICS) | ePayments (Citi)
North America | United States

Company Focus

■ Company Update

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Neutral	**2**
Price (09 Jan 13)	US$13.23
Target price	-
Expected share price return	-
Expected dividend yield	-
Expected total return	**-**
Market Cap	US$566M

Price Performance
(RIC: GDOT.N, BB: GDOT US)

Green Dot Corp (GDOT)

Too Many Uncertainties Heading into 2013 to Recommend GDOT

- **2013 Outlook / Themes** — 2013 is an important year for GDOT coming off its difficult performance in 2012. At the outset of the year, the main concern will be the impact of the launch of the competitive Amex Bluebird card at Walmart and how it will impact the Walmart Moneycard product sold by GDOT. On the flip side, GDOT is ramping some new products of its own, including a prepaid product with Sallie Mae and a new mobile checking product that will be launched early this year. In our experience, new prepaid products typically take longer to ramp than most people expect, which could hurt early results from GDOT's new products, but conversely help minimize the near-term impact from the Bluebird launch. Also, there are other wildcards to consider as it relates to GDOT, including new competition, potential responses to that competition (pricing cuts?) and regulation. While the stock's valuation (~3x EV/EBITDA) certainly prices in many of these risks, the level of uncertainty keeps us on the sidelines for now.

- **Our 2013 Estimates** — We are forecasting 2013 revenue for GDOT of $533 mil (-3% y/y), which is ~1% below consensus expectations of $538 mil. Conversely, our 2013 EPS estimate of $1.30 (-4% y/y) is $0.07 ahead of the consensus forecast of $1.23. As described above, there are a wide range of possible outcomes as it relates to GDOT's financial results in 2013 given the moving parts with various products. We would anticipate GDOT's initial guidance to have a fairly wide range to account for these uncertainties and may err on the side of caution initially to avoid further disappointments relative to consensus.

- **Maintain Neutral Rating** — 2013 should be an interesting year for GDOT. Early in the year, it will be important to monitor how its Moneycard product sells against Bluebird at its largest client Walmart, though we caution that early trends may not be indicative of future success. We also eventually worry about a potential price change on GDOT's Moneycard product in response to Bluebird – note that this is largely out of the company's hands and depends on Walmart. Investors will also get a sneak peek at GDOT's new mobile checking product resulting from its Loopt acquisition. Sallie Mae will contribute, though that likely won't be material until the next enrollment period in the late summer. Also, GDOT will need to demonstrate its ability to diversify its distribution partners through new relationships, which have been lacking of late. While the stock's valuation is attractive if results come in as we model, there are too many near-term uncertainties that keep us wary for now. Maintain Neutral rating.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.39A	0.37A	0.39A	0.40A	1.56A	1.55A
2012E	**0.48A**	**0.35A**	**0.29A**	**0.24E**	**1.36E**	**1.33E**
Previous	0.48A	0.35A	0.29A	0.24E	1.36E	na
2013E	**na**	**na**	**na**	**na**	**1.30E**	**1.23E**
Previous	na	na	na	na	1.30E	na
2014E	**na**	**na**	**na**	**na**	**1.50E**	**1.41E**
Previous	na	na	na	na	1.50E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

■ Company Update

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Buy	**1**
Price (09 Jan 13)	US$527.52
Target price	US$590.00
Expected share price return	11.8%
Expected dividend yield	0.3%
Expected total return	**12.1%**
Market Cap	US$65,550M

Price Performance
(RIC: MA.N, BB: MA US)

MasterCard Inc. (MA)

Strong Earnings Growth, While Keeping Europe Steady; Buy MA

- **2013 Outlook / Themes** — Key themes in 2013 include (i) recovery in global spending growth rates, (ii) European regulatory risk around the Green Paper, (iii) European macro and spending trends, (iv) finalization of the merchant MOU, (v) capital return and (vi) alternative payments (mobile/online).

- **The Stock** — While recognizing that the networks are consensus longs, and provided solid total return performance in 2012, we still see good upside in MA near and long-term. A key risk to monitor for MA is regulatory risk. The European Commission is expected to come out with their recommendation on cutting/capping bank interchange fees in April/Spring 2013. This could be a negative headline risk depending on the form it takes, or when and if it happens. That said we do not expect network fees to be cut, so we'd be buyers of the stock on any weakness. The P/E is higher than other card processing stocks on a relative basis, but very reasonable on a PEG basis at 1.2x.

- **Our Estimates vs. Consensus** — We estimate 2013 total revenues of $8.25 billion, representing 11.8% year/year growth. We look for total operating income of $4.6 billion (55.8% margin) and EPS of $25.85. Our estimates compare to the consensus average of revenues of $8.26 billion, operating income of $4.56 billion, and EPS of $25.62.

- **Maintain Buy Rating, $590 Target Price** — We believe MasterCard can continue to deliver strong 20% long-term earnings growth, and the recent pull back in spend is stabilizing based on our channel checks and recent data. In addition, our contacts suggest the regulatory environment for the networks is in good shape and that the merchant settlement MOU will likely get preliminary approval despite merchant pushback.

- **For more detail on our MA Outlook** — Please refer to our recent outlook note co-published with Citi Consumer & Specialty Finance Analyst Don Fandetti (2013 Card Payments Outlook).

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	4.29A	4.76A	5.63A	4.03A	18.71A	18.70A
2012E	**5.36A**	**5.65A**	**6.17A**	**4.85E**	**22.04E**	**22.00E**
Previous	5.36A	5.65A	6.17A	4.85E	22.04E	na
2013E	**na**	**na**	**na**	**na**	**25.85E**	**25.64E**
Previous	na	na	na	na	25.85E	na
2014E	**na**	**na**	**na**	**na**	**30.00E**	**30.52E**
Previous	na	na	na	na	30.00E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Consumer Finance (GICS) | ePayments (Citi)
North America | United States

Company Focus

■ Company Update

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Buy/High Risk	1H
Price (09 Jan 13)	US$11.99
Target price	US$13.50
Expected share price return	12.6%
Expected dividend yield	0.0%
Expected total return	**12.6%**
Market Cap	US$836M

Price Performance
(RIC: NTSP.O, BB: NTSP US)

NetSpend Holdings (NTSP)

Growth Trajectory Bodes Well for Stock Performance in 2013

- **2013 Outlook / Themes** — We believe NTSP is poised for a second consecutive year of revenue growth acceleration in 2013 that could exceed consensus expectations. NTSP's stock had a strong 2012 and we look for the company to build on this momentum as many of its newly inked partnerships become more material to the financial performance of the business. We are modeling 20% top-line growth (all organic), which is the best growth rate in the group and we believe NTSP can turn this growth into a third consecutive year of 25%+ EPS growth. Key to how the stock performs will be the success of its new deals, and we are comforted by early trends with PayPal and BET, while TurboTax's track record bodes well for 1H13 results. Additionally, NTSP's distribution base will likely further diversify this year, valuable direct deposit customers should continue to grow and we view the 'loss of exclusivity' trend within prepaid as a net positive for the company given its limited presence in retail to date. The rare combination of strong organic top- and bottom-line growth with a valuation still heavily discounted to its growth rate makes NTSP our top small cap investment idea in payments for 2013.

- **Our 2013 Estimates** — We are forecasting 2013 revenue for NTSP of $420 mil (+20% y/y), which is ~3% ahead of consensus expectations of $409 mil. Additionally, our 2013 EPS estimate of $0.76 (+30% y/y) is $0.04 ahead of the consensus forecast of $0.72. We are comfortable with our above consensus expectations as we believe NTSP has many partnerships that will contribute notably in 2013, including TurboTax, PayPal, BET, CVS and Walgreens. Note that of our 10% incremental EPS growth on top of our revenue projections, roughly half is due to operating margin expansion with the remainder due to share repurchases already completed in 2012.

- **Maintain Buy (1H) Rating and $13.50 Target Price** — We believe NTSP is poised for another year of strong EPS growth in 2013, this time driven even more by better top-line revenue trends. Competitive and regulatory fears related to the prepaid space in general continue to weigh on the stock's multiple (~16x 2013 P/E), particularly relative to its growth rate (~24% estimated CAGR 2011-14). However, the longer NTSP is able to deliver strong results, the more the competitive concerns around the business will begin to fade, in our opinion. Even so, given our above consensus EPS growth expectations of 30%, we believe investors can win even if NTSP's valuation multiple contracts to a limited degree. We are maintaining our Buy rating and $13.50 price target.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.11A	0.11A	0.12A	0.13A	0.47A	0.47A
2012E	**0.13A**	**0.15A**	**0.15A**	**0.15E**	**0.58E**	**0.58E**
Previous	0.13A	0.15A	0.15A	0.15E	0.58E	na
2013E	**na**	**na**	**na**	**na**	**0.76E**	**0.72E**
Previous	na	na	na	na	0.76E	na
2014E	**na**	**na**	**na**	**na**	**0.90E**	**0.85E**
Previous	na	na	na	na	0.90E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

- **Company Update**

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Sell	**3**
Price (09 Jan 13)	US$32.01
Target price	US$29.00
Expected share price return	-9.4%
Expected dividend yield	2.1%
Expected total return	**-7.3%**
Market Cap	US$11,643M

Price Performance
(RIC: PAYX.O, BB: PAYX US)

Paychex Inc (PAYX)

Sell PAYX; Small Business Headwinds Likely to Persist in 2013

- **2013 Outlook / Themes** — We believe PAYX will continue to face headwinds to its growth and stock performance in 2013. Given our expectations for a continuation of a tepid employment and interest rate environment, we do not foresee a material acceleration in the company's growth rate. Additionally, fiscal cliff concerns could reappear later in the year (though balances will benefit from higher taxes), while the new healthcare legislation could begin to impact hiring decisions by small businesses, which are already struggling. PAYX has had difficulty expanding its customer base (the most sustainable source of long-term growth) even as its competitors are growing faster, thus we do not see a justification for its premium valuation, especially considering the lack of near-term dividend payouts following the accelerated payments in late 2012. Sell PAYX.

- **Our FY13-14 Estimates** — We are forecasting FY13 revenue for PAYX of $2.3 bil (+4% y/y), which is in-line with consensus and at the low end of guidance of +5-6%. For EPS, our $1.59 forecast is also in-line with consensus and our ~5.5% growth is toward the lower end of management's +5-7% guidance range. Similarly, our FY14 revenue forecast of $2.5 bil (+6% y/y) and EPS expectation of $1.70 (+7% y/y) are both in-line with consensus expectations.

- **Maintain Sell Rating and $29 Target Price** — We believe PAYX is on track to deliver its fourth consecutive year of single digit EPS growth in CY13. While this level of growth is steady and highly visible, it does pale in comparison to the stock's valuation of ~19.5x CY13 P/E. This valuation is consistent with the recent 5-year average for the company both on an absolute and relative basis (~50% premium to the S&P 500). However, we do not view the premiums to the market and competitor ADP as justified and believe multiple contraction is possible this year. Additionally, PAYX' accelerated dividend payouts in late CY12 leave investors without a dividend payment until August and only two dividend payments over the course of CY13, which could also hurt the premium valuation. We are maintaining our Sell rating and $29 price target on the stock.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.41A	0.39A	0.37A	0.34A	1.51A	1.51A
2013E	**0.42A**	**0.41A**	**0.39E**	**0.37E**	**1.59E**	**1.60E**
Previous	0.42A	0.41A	0.39E	0.37E	1.59E	na
2014E	**na**	**na**	**na**	**na**	**1.70E**	**1.70E**
Previous	na	na	na	na	1.70E	na
2015E	**na**	**na**	**na**	**na**	**1.84E**	**1.84E**
Previous	na	na	na	na	1.84E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

■ Company Update

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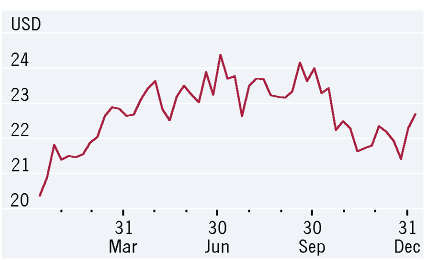
Neutral	**2**
Price (09 Jan 13)	US$23.50
Target price	US$23.00
Expected share price return	-2.1%
Expected dividend yield	1.2%
Expected total return	**-0.9%**
Market Cap	US$4,391M

Price Performance
(RIC: TSS.N, BB: TSS US)



Total System Services (TSS)

Valuation Remains our Key Concern for TSS

- **2013 Thesis / Outlook** — TSS remains a solid company fundamentally in our opinion, but its current valuation relative to its 2013 growth potential remains the key reason for our Neutral rating. Positive known growth catalysts such as card conversions representing approximately 30 million accounts that were delayed from 2012 to 3Q 2013, and the BofA consumer card conversion, imply that TSS could deliver solid revenue growth acceleration in 2H 2013. However our estimates, and we believe consensus, already assumes these factors and even if TSS delivers EPS upside of say 5% to consensus (not an easy thing for a company like TSS) the stock already trades at a premium to other processors when we look at it on a growth-adjusted basis (or even in absolute terms in some cases). Further, TSS does face some top-line risk in 2013 including the Bank of America price concessions and the ongoing BAMS de-conversion. We believe TSS can successfully manage these headwinds, but at current levels, we don't see a compelling reason to recommend the stock right now.

- **Our Estimates** — We forecast 2013 revenues of $1.97 billion, representing 5.4% y/y growth. Out top-line forecast is driven by 5% N. America growth, 5% International growth, and a 6% increase in Merchant Services. We look for total operating income of $395.5 M (20% margin, +70 bps y/y) and EPS of $1.43 (+10.8% y/y). Our estimates are essentially in line the consensus forecast for revenues, EBIT, and EPS of $1.98 B, $396 M, and $1.43.

- **Maintain Neutral Rating and $23 Target Price**— TSS is a sound story, but we believe our and consensus 2013 growth estimates for the company are quite reasonable (5%-5.5% top line and 10%-11% EPS) and imply little room for multiple-expansion from the current ~16.3x P/E. Many other processors offer investors superior growth to TSS, equal or better revenue and earnings visibility, a more attractive valuation, or a combination of all three in our opinion – we highlight FIS and VNTV as examples.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.25A	0.28A	0.30A	0.31A	1.15A	1.15A
2012E	**0.30A**	**0.35A**	**0.32A**	**0.33E**	**1.29E**	**1.29E**
Previous	0.30A	0.35A	0.32A	0.33E	1.29E	na
2013E	**na**	**na**	**na**	**na**	**1.43E**	**1.44E**
Previous	na	na	na	na	1.43E	na
2014E	**na**	**na**	**na**	**na**	**1.62E**	**1.63E**
Previous	na	na	na	na	1.62E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Data Processing & Outsourced Services (GICS) | ePayments (Citi)
North America | United States

Company Focus

- Company Update
- Target Price Change

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Buy	**1**
Price (09 Jan 13)	US$21.15
Target price	US$25.00
from US$24.00	
Expected share price return	18.2%
Expected dividend yield	0.0%
Expected total return	**18.2%**
Market Cap	US$4,494M

Price Performance
(RIC: VNTV.N, BB: VNTV US)

Vantiv, Inc. (VNTV)

Solid Fundamentals / Growth & Attractive Valuation = Buy VNTV

- **2013 Outlook /Themes** — Vantiv in 2013 should continue to generate solid growth from (i) a large and growing addressable market; (ii) the ongoing secular trend toward e-payments from cash and checks, (iii) strong large merchant relationships with high retention rates; (iv) an increasing focus on the small-mid-sized merchant class; and (v) recent strategic deals such as nTelegent and PayPal/DFS. We believe these factors can help the company safely achieve 10%-12% organic top line growth over the medium term, including ~11% year/year growth in 2013. The company's single card processing platform helps to drive industry high margins and enables modest year/year margin improvements – its focus on more profitable small-medium sized merchant clients also helps the operating leverage story going forward. These first two factors (top-line growth and margin expansion), combined with balance sheet deleveraging contributes to 15% EPS CAGR through 2014. To these investment merits we finally add VNTV's attractive valuation at ~15.3x our/consensus 2013 EPS which is a discount to the much slower growing TSS at 16.3x, as well as to HPY at 15.6x (based on Factset), on a 2013 basis. We believe VNTV deserves a premium P/E to its comparable group of 17-19x given its superior growth and margin profile. Buy VNTV.

- **Our Estimates** — We forecast total 2013 revenues of $1.14 B, representing 10.8% year/year growth. Our revenue estimate is driven by 13% y/y growth in the Merchant unit and 6% growth in the FI segment. On pro forma EBITDA, we estimate $565 million, or 11% growth and 49.7% margins (+20 bps y/y). Finally our fully distributed cash EPS estimate is $1.37, representing 16.3% growth helped by top-line and operating profit growth, as well as ongoing deleveraging activities. Our estimates exclude the cash accretive Litle acquisition, which we plan to incorporate in our estimates when VNTV reports 4Q12 results in Feb-13. Our 2013 VNTV estimates are essentially in line with the consensus forecast.

- **Reiterate Buy Rating; Raising Target Price to $25**— Strong market position, recurring revenue streams, solid operating leverage potential, and FCF capabilities leading to deleveraging round out the Investment Strengths. Perceived disintermediation risks and high levels of Private Equity and Fifth Third Bank ownership have had an impact on the multiple in our opinion. We believe the disintermediation story is overblown (see our upgrade note here: VNTV Upgrade). The PE/Bank ownership will take some time to play out, but we expect these owners will ultimately lighten their ownership stakes shares in a rational way. Our new $25 target price (up from $24) reflects our 2013 stock-expense adj. EPS estimate of $1.35 applied to our unchanged 17-19x P/E target range.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.15A	0.22A	0.22A	0.27A	0.86A	na
2012E	**0.20A**	**0.32A**	**0.32A**	**0.35E**	**1.18E**	**1.17E**
Previous	0.20A	0.32A	0.32A	0.35E	1.18E	na
2013E	**na**	**na**	**na**	**na**	**1.37E**	**1.39E**
Previous	na	na	na	na	1.37E	na
2014E	**na**	**na**	**na**	**na**	**1.55E**	**1.62E**
Previous	na	na	na	na	1.55E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Data Processing & Outsourced Services (GICS) | Consumer Finance (Citi)
North America | United States

Company Focus

- **Company Update**

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Neutral	**2**
Price (09 Jan 13)	US$160.91
Target price	US$168.00
Expected share price return	4.4%
Expected dividend yield	0.8%
Expected total return	**5.2%**
Market Cap	US$130,435M

Price Performance
(RIC: V.N, BB: V US)

Visa Inc. (V)

New CEO & Continued Global Growth While Managing Reg

- **2013 Key Themes** — Key themes in 2013 include (i) recovery in global spending growth rates, (ii) new CEO, (iii) debit volumes, (iv) DOJ update regarding new debit related pricing, (v) finalization of the merchant MOU, (vi) capital return and (vii) alternative payments (mobile/online).

- **The Stock** — V was a strong performer in 2012 and we see further near-term upside. We believe V and MA stocks will be a horse race near-term, yet have a modest preference for MA long-term on global market share opportunity. We'd look for a pull-back to get more constructive on V shares. Shares are currently trading at 20.6x our '13 estimate and 18.1x '14.

- **Our Estimates vs. Consensus** — We estimate FY 2013 total revenues of $11.5 billion, representing 10% year/year growth. We look for total operating income of $6.9 billion (60.4% margin) and EPS of $7.25. Our estimates compare to the consensus average of revenues of $11.5 billion, operating income of $7.0 billion, and EPS of $7.26.

- **Maintain Neutral Rating** — V has the enviable position of operating the world's largest retail network, however, we think the shares are fairly valued at the current level. So with a wobbly macro, investors may be reluctant to bid up the stock materially, but downside should be limited given the levers to offset slower spend, particularly share repurchases. We are maintaining our Neutral rating and look for a more attractive entry point

- **For more detail on our Visa Outlook** — Please refer to our recent outlook note co-published with Citi Specialty Finance Analyst Don Fandetti (2013 Card Payments Outlook).

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	1.49A	1.60A	1.56A	1.54A	6.20A	6.20A
2013E	**1.78E**	**1.80E**	**1.84E**	**1.83E**	**7.25E**	**7.27E**
Previous	1.78E	1.80E	1.84E	1.83E	7.25E	na
2014E	**na**	**na**	**na**	**na**	**8.30E**	**8.40E**
Previous	na	na	na	na	8.30E	na
2015E	**na**	**na**	**na**	**na**	**9.60E**	**9.88E**
Previous	na	na	na	na	9.60E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

- **Company Update**

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Buy	**1**
Price (09 Jan 13)	US$31.57
Target price	US$47.00
Expected share price return	48.9%
Expected dividend yield	0.0%
Expected total return	**48.9%**
Market Cap	US$3,408M

Price Performance
(RIC: PAY.N, BB: PAY US)

VeriFone Systems Inc (PAY)

Look for a Bounce Back 2013 for PAY; Maintain Buy

- **2013 Outlook / Themes** — 2012 was a difficult year for PAY investors, but we foresee 2013 as a bounce back year with a favorable risk / reward proposition. Last year, PAY provided good upside to FY12 EPS expectations and is projected to grow EPS by 19% in FY13. But this wasn't enough to offset a steep P/E multiple contraction to ~9x from ~14x. In our view, the multiple contraction resulted from (1) slowdown in top-line growth, (2) lack of transparency around financial performance, (3) poor free cash flow conversion, and (4) concerns about competitive risks. In 2013, we believe PAY can address each of these issues with good execution and by hitting published forecasts. The lapping of upcoming M&A should clear up the financial picture for investors while also helping to improve FCF performance. Top-line growth is back-end loaded to some degree, but if it is delivered it should bode well for the stock performance through the year. With the expectation that North America is a key growth driver for the firm in FY13, we also believe competitive concerns could begin to dissipate, though news flow will continue to cause volatility for the time being. Lastly, entering the year at a ~9x P/E we see limited room for multiple contraction and much more opportunity for multiple expansion to assist in the stock's performance (group at ~14x P/E). We maintain our Buy rating on PAY.

- **Our FY13 Estimates** — We are forecasting FY13 revenue for PAY of $2.08 bil (+10% y/y), which is in-line with consensus expectations and within management's guidance range of $2.05-$2.10 bil. Similarly, our FY13 adjusted EPS expectation of $3.27 (+19% y/y) is in-line with consensus and within the company's $3.25-$3.30 guidance range. Of our ~10% top-line growth expectation, the organic growth expectation is ~8.5% with the remainder due to M&A, offset by currency headwinds. By region, we are anticipating strong growth in Asia, North America and Latin America, with some offsets in Europe due to various headwinds (macro, product delays, etc.). We are projecting FY13 free cash flow of ~$300 mil, in-line with mgmt's $285-$315 mil guidance. This projection represents ~82% of our adjusted net income projection for FY13, up from FY12's poor free cash flow conversion rate of ~51%.

- **Maintain Buy Rating and $47 Target Price** — We look for an improved 2013 for PAY following a difficult 2012. We expect strong earnings growth and an improvement in the perceived quality of this growth given the greater mix of top-line growth, less in-organic contributions and improved free cash flow production. We believe threats to PAY's business are overstated and believe this view will gain credence given our expectation for good growth in the US (considered the hotbed of new entrants) and growing mix of sticky services revenue.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2012A	0.58A	0.64A	0.75A	0.76A	2.74A	2.74A
2013E	**0.72E**	**0.79E**	**0.86E**	**0.90E**	**3.27E**	**3.27E**
Previous	0.72E	0.79E	0.86E	0.90E	3.27E	na
2014E	**na**	**na**	**na**	**na**	**3.75E**	**3.75E**
Previous	na	na	na	na	3.75E	na
2015E	**na**	**na**	**na**	**na**	**4.30E**	**4.31E**
Previous	na	na	na	na	4.30E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Data Processing & Outsourced Services (GICS) | Computer Services and IT Consulting (Citi)
North America | United States

Company Focus

Western Union Co. (WU)

Working Through a Transition Year in 2013 for WU; Maintain Buy

- Company Update

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Buy	**1**
Price (09 Jan 13)	US$13.27
Target price	US$14.50
Expected share price return	9.3%
Expected dividend yield	3.8%
Expected total return	**13.0%**
Market Cap	US$7,917M

Price Performance
(RIC: WU.N, BB: WU US)

- **2013 Outlook / Themes** — While 2012 was a painful year for WU, we kept our Buy rating and foresee a better 2-year trajectory through 2014 off a beaten-down 2013 baseline. It is clear that WU faces near-term challenges related to catch-up pricing investments and regulation, but we believe the pricing actions are concentrated within a few specific corridors and not evidence that the model is broken. Importantly, WU has a track record of successful pricing actions in its past and we believe investors will be encouraged by a recovery in transaction volumes as results come in throughout the year. We believe consensus forecasts remain slightly elevated and WU's history of conservative initial guidance could provide a near-term headwind to the stock's recovery, but we believe eventual results in 2013 will help the valuation gradually climb back. We maintain our Buy rating on WU.

- **Our 2013 Estimates** — We are forecasting 2013 revenue for WU of $5.5 bil (-2% y/y), which is ~1% below consensus expectations. Additionally, our 2013 EPS estimate of $1.45 is $0.02 below consensus and represents a decline of ~14% on a y/y basis. We have taken a more conservative approach to our top-line expectations given the ongoing uncertainty in several key C2C corridors, most importantly Mexico. We believe WU mgmt will also be conservative with its initial guidance given the range of possible outcomes and their historical practices, so we would not be surprised to see downside to current consensus. On the EPS front, we also believe there is some confusion as it relates to WU's movement toward GAAP expectations away from an adjusted non-GAAP number. WU has guided to a 10-15% decline in GAAP EBIT for 2013 – our EPS forecast is within that range. Note that we have assumed a share buyback pace of ~$100 million per quarter, which could be conservative and accelerated repurchases prior to WU's earnings report could be an offset to the factors just discussed.

- **Maintain Buy Rating and $14.50 Target Price** — As described above, 2013 should be a difficult year in terms of absolute financial performance for WU on a y/y basis. That said, we believe this disappointment is largely reflected in the stock given its valuation of ~9x CY13 P/E (vs. 5-yr average of ~12x). With macro factors, regulation and currency still serving as wildcards, we believe WU's history of successful pricing actions bodes well for how investor expectations will play out over the course of the year, implying that 2014 could actually see solid EPS growth again. We also look for WU to actively return cash to shareholders through its ongoing share repurchase program (~$750 mil authorized through end of 2013) and its attractive dividend yield of ~3.5%. Maintain Buy on WU.

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.35A	0.42A	0.40A	0.40A	1.57A	1.56A
2012E	**0.40A**	**0.46A**	**0.46A**	**0.36E**	**1.68E**	**1.67E**
Previous	0.40A	0.46A	0.46A	0.36E	1.68E	na
2013E	**na**	**na**	**na**	**na**	**1.45E**	**1.47E**
Previous	na	na	na	na	1.45E	na
2014E	**na**	**na**	**na**	**na**	**1.65E**	**1.66E**
Previous	na	na	na	na	1.65E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Company Focus

WEX Inc (WXS)

Upgrading to Neutral from Sell on Lack of Near-term Catalysts

- Company Update
- Rating Change
- Target Price Change
- Estimate Change

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Neutral	**2**
from Sell	
Price (09 Jan 13)	US$77.52
Target price	US$79.00
from US$66.00	
Expected share price return	1.9%
Expected dividend yield	0.0%
Expected total return	**1.9%**
Market Cap	US$3,000M

Price Performance
(RIC: WXS.N, BB: WXS US)

- **Upgrading to Neutral, PT to $79** — We are upgrading WXS to Neutral (from Sell) and raising our price target to $79 (from $66). Our bearish stance on WXS over the past few quarters has not played out as we anticipated due to several factors, namely higher fuel prices, accretive M&A (FleetOne) and excitement around the Other Payments division's prospects. Though the core Fleet business is still struggling to grow organically and WXS faces multiple headwinds to its margin profile, the FleetOne acquisition and contributions from PaySpan will likely mask these organic effects over the next several quarters. Additionally, fuel futures have recently rallied and our revised forecasts (discussed below) are now above consensus. While WXS remains expensively valued relative to its organic growth profile, we see limited near-term catalysts to change investor perception on this topic, and are therefore upgrading the stock to Neutral from Sell.

- **Our 2013 Estimates** — We are raising our 2013 adj. EPS projection for WXS by $0.15 to $5.10 (+25% y/y). This revision primarily reflects an increase in our 2013 US fuel price assumption, which is increasing ~4.5% to $3.57 based on the recent rally in futures prices. Note that of our 25% growth projection for this year, roughly half is attributable to organic factors, with the remainder due to FleetOne, a lower tax rate and lower fuel hedging losses. Similarly, we are increasing our 2014 EPS projection by $0.15 to $5.45 (+7% y/y), which is more in-line with our longer-term EPS growth expectations for the company. Our revised 2013 EPS estimate is $0.24 (~5%) above consensus expectations, though initial guidance may be closer to consensus given mgmt's historical conservatism.

- **2013 Outlook / Themes** — For WXS, 2013 will likely focus on two main areas within its two operating segments. For the Fleet business, accretion from the FleetOne acquisition will be an important driver and we anticipate some upside to consensus expectations from this as we move through the year (initial guidance likely conservative). In Other Payments, the ramp of the PaySpan contract will be the main focus. While we expect the ramp to be slower than many anticipate, it may not matter as much to the valuation as the eventual potential will still exist. As outlined above, 2013 will be a strong year of EPS growth for WXS, though 2014 growth is among the lowest in our group. Throughout the year, WXS does have the ability to improve next year's growth rate through additional M&A and / or meaningful partnerships in Other Payments, which leads us to a lack of near-term catalysts. Our price target is going to $79 (from $66) as we increase our 2014 EPS projection by $0.15 and raise our target P/E multiple to 14.5x (from 12.5x) to reflect the recent trading range (2013 P/E is ~15x).

EPS	Q1	Q2	Q3	Q4	FY	FC Cons
2011A	0.75A	0.91A	0.99A	0.98A	3.64A	3.63A
2012E	**0.91A**	**1.00A**	**1.08A**	**1.08E**	**4.07E**	**4.05E**
Previous	0.91A	1.00A	1.08A	1.08E	4.07E	na
2013E	**na**	**na**	**na**	**na**	**5.10E**	**4.87E**
Previous	na	na	na	na	4.95E	na
2014E	**na**	**na**	**na**	**na**	**5.45E**	**5.40E**
Previous	na	na	na	na	5.30E	na

Source: Company Reports and dataCentral, Citi Research. FC Cons: First Call Consensus.

Alliance Data Systems Corp

Company description

ADS is a data-based marketing and loyalty company that operates three segments. Private Label (47% of revs, 62% of EBITDA) provides store-branded credit cards for over 25 million account holders across over 100 US retailers; LoyaltyOne (25%, 19%) operates coalition reward programs, principally in Canada where its AIR MILES program is used by over two-thirds of households; and Epsilon (27%, 19%) provides customer database, analytics and ad agency services to over 700 corporations, primarily in the US.

Investment strategy

We have a Neutral (2) rating on ADS.

There is a lot to like about ADS' business and its current trajectory across its segments. Most importantly, the Private Label segment has been the predominant driver of the stock's strong run over the past several years. This segment has been gaining share versus its larger peers through a combination of new client ramps, competitive takeaways and strong margin gains as a result of favorable credit and interest rate trends.

There are also several key risks to ADS as well. First, while Private Label momentum remains strong, we note that nearly two-thirds of ADS' earnings growth over the last three years has been driven by margin gains in this segment. While we expect strong revenue growth in Private Label to continue, our model does not imply significant forward gains in margins, which means that ADS' growth will have to come from other sources. On that front, organic revenue growth in LoyaltyOne and Epsilon has lagged of late and investors would like to see a recovery over the next few quarters.

All in, we believe the stock's strong run and above historical average valuation reflect the company's strong business momentum, resulting in a balanced risk / reward proposition.

Valuation

We use a P/E analysis to derive our $165 12-month target price for ADS.

We apply a 13.5x P/E multiple, which is within our targeted 12x-14x range, to our 2014 adjusted EPS estimate of $12.23 to derive our $165 price target. This target multiple is modestly above ADS' long-term average of ~12x (per FactSet) and also above our near-term EPS growth expectations of ~10% in FY13-FY14.

Risks

The key risks we see facing ADS are:

- Private Label Margins - Roughly ~80% of ADS' growth over the past three years has been concentrated in the Private Label segment, with the vast majority due to higher margins. With credit losses and funding rates unlikely to make further significant improvements, ADS' forward growth could slow.

- Organic Growth in LoyaltyOne / Epsilon - Organic growth in the LoyaltyOne and Epsilon segments has been fairly weak recently. Given our expectation for slowing margin gains in Private Label, a reacceleration in growth in these segments will be necessary to sustain recent growth rates.
- Customer Concentration - ADS' top five clients account for roughly one-third of total revenues. Changes in relationships among its top clients in LoyaltyOne and Private Label could significant affect the company's earnings trajectory.

If any of these factors has greater downside effects that we currently contemplate, ADS could fail to reach our price target.

Conversely, if ADS continues its recent new deal activity in Private Label or if its growth accelerates in LoyaltyOne or Epsilon, the stock could exceed our price target.

Automatic Data Processing Inc

Company description

Automatic Data Processing (ADP), with annual revenues of $10.7 billion in FY12, is the global leader in providing outsourced payroll processing services and other transaction processing services. The core of ADP's franchise is its Employer Services unit (68% of revenues), which provides payroll processing, tax administration and other outsourced HR services to a wide range of business in the US and abroad. ADP generates a significant portion of its income by investing approximately $18 billion of its clients' payroll and tax funds before remittance to the appropriate third parties. The company's Professional Employer Organization (PEO) unit (16%), provides a similar suite of services as Employer through a co-employment relationship. Lastly, ADP's Dealer Services unit (16%) provides integrated dealer management systems and other business management solutions to auto and truck dealers in the US and abroad.

Investment strategy

We have a Neutral (2) rating on ADP.

We like ADP's attractive business model - a high degree of recurring revenues, a solid margin profile and strong cash flow, which it returns to shareholders via dividends and buybacks. However, ADP's business continues to face several headwinds - namely uncertain employment levels in the U.S. and abroad, and a low interest rate environment that drives reinvestment risk. While the company is executing well in this difficult environment, we believe the stock's valuation captures much of the potential promise that the underlying metrics are showing. We believe the risk/reward proposition is fair, hence our Neutral rating.

Valuation

Our 12-month target price for ADP is $60 based on the average of our P/E and DCF analyses. P/E Analysis: We use a 42% premium vs. the S&P P/E multiple (which stands at 13x currently per StockVal) to derive our targeted 18.5x forward multiple for ADP. Our 42% premium is within our targeted 30%-50% premium range, which is consistent with the 35% average premium over the past three years (per StockVal). We apply the 18.5x forward multiple to our FY13 EPS estimate of $2.92 and add the company's ~$3.40 in net cash per share to derive our $57 P/E-based target for ADP. Discounted Cash Flow (DCF) Analysis: Based on our 10-year DCF

analysis, we derive a $63 target price for ADP. Our analysis incorporates the following assumptions: Weighted Average Cost of Capital (WACC) of 7.5% (calculated), based on a Beta of 0.87 (Bloomberg adj. 5-yr weekly), a Risk-Free Rate of 1.81% (CR Estimate) and a Market Risk Premium of 6.54% (CR Estimate); Terminal growth rate of 1.0%-1.5%.

Risks

The key risks to our investment thesis on ADP are:

- Employment – ADP's revenues are primarily dependent upon the number of employees for which it processes payroll and benefits information. If employment growth in the US is different than our expectations, there could be risk to our earnings expectations.

- Interest Rates – ADP generates a substantial portion of its income from interest earned on its float portfolios. If the interest rate environment develops different than we are expecting, our earnings expectations could be inaccurate.

- US Auto Exposure – ADP's Dealer unit is exposed to the ongoing dealer consolidation in the US auto market. If dealer closings or spending levels are worse than we anticipate, there could be additional downside to our estimates.

- Foreign Operations – ADP generates nearly 20% of its revenues from outside the US, primarily in Europe and Canada. If the US dollar strengthens or weakens vs. the European and Canadian currencies, ADP's foreign income could be different than we expect.

If any of these risk factors has a greater downside impact than we anticipate, the share price may not achieve our price target. Conversely, if the impact of any of these upside risks is greater than we anticipate, the stock could exceed our price target.

Fidelity National Info Svcs, Inc

Company description

Fidelity National Information Services, Inc. (NYSE:FIS) is a leading global provider of banking and payments technology solutions, processing services and information-based services. FIS offers bank core processing, card issuer and transaction processing services, including the NYCE Network, the fourth largest national electronic funds transfer (EFT) network. This is an attractive end-market because banks have historically over-invested in technology, and we expect this to continue as banks strive to introduce new products; streamline their back office; control their risk profile and attract and retain customers. FIS is a member of the Standard and Poor’s (S&P) 500 Index and holds a leading position in the annual FinTech 100 rankings. FIS offers more than 300 solutions serving over 14,000 financial institutions and business customers in over 100 countries spanning most segments of the financial services industry. FIS employs approximately 30,000 people, including 16,000 employees outside of the U.S.

Investment strategy

We rate FIS Buy (1). We highlight FIS' positive characteristics including stable, recurring revenue streams; solid operating leverage and FCF capabilities; and attractive valuation. FIS has a stable revenue base and ~85% of revenues recur.

The company should be able to achieve mid-single-digit revenue growth over time as it benefits from positive secular trends (e.g. cash/checks to e-payments); its exposure to faster-growing international markets, debit and healthcare/government; the potential to cross-sell new services into its client base, etc. We estimate FIS will generate ~13% pro-forma adjusted EPS CAGR over the next three years. We look for debt reductions, share repurchases, and scale-benefits to help drive this earnings growth. Given its healthy FCF generation (1x-plus net income), FIS should have the financial flexibility to reduce debt, execute on its share repurchase plan, pay dividends and make strategic acquisitions.

Valuation

Our P/E valuation model yields an implied share price of $41 (rounded) by applying a 13x-15x multiple to our pro forma 2013 EPS estimate of $2.81. We believe our 2013 target multiple range is appropriate given our expectation that, over the next three years, FIS can deliver EPS CAGR of ~12% and FCF growth in line with net income. This end-result is due to the combination of an expected organic revenue growth rate in the 4-6% range, consistent EBITDA margin expansion of 30-50 bps+, debt pay-down from current levels, and share buybacks based on FIS' cash flow generation of at least 1x net income. Our P/E target range is also in line with FIS' five-year average forward P/E of 13.5X based on FactSet data.

Risks

Risks to the achievement of our target price for FIS include the following:

1. We see a downward bias to revenue expectations if a bank spending recovery is much slower than anticipated and bank failures and/or consolidation creates an overhang for the shares. A delayed recovery in organic revenue growth or downward EPS revisions could negatively impact valuation.

2. FIS receives approximately 20% of its total revenues in currencies other than the US dollar. Currency fluctuations could have a material impact on revenue growth rates and EBITDA margins.

3. Continuing bank failures are an on-going investor concern and could remain a headline risk throughout the current credit cycle. We believe the fear is well known and somewhat overdone.

4. A protracted economic recovery in the U.S. and abroad could significantly impact all of FIS' business lines. This environment would likely lead to additional reductions/postponements of bank and financial institution IT spending; more bank failures; further credit tightening by banks and by extension fewer cards issued; and greater consumer uncertainty and job losses leading to less spending, bills being paid, and bank transaction volumes.

5. The lack of known outcomes as a result of recently passed financial regulation creates uncertainty and headline risk for FIS.

Fiserv, Inc.

Company description

Fiserv, Inc. (NASDAQ: FISV) is a leading global provider of information management and electronic commerce systems for the financial services industry. The company operates under two primary reporting segments: Financial Institution Services and Payments and Industry Products. For the year ended December 31, 2011, FISV generated approximately $4.3 billion of revenue.

Investment strategy

We rate Fiserv Neutral (2). We believe Fiserv has the ability to grow EPS in the low double digits (11%-13%) over the next two years. This level of EPS growth is supported by 1) accelerating organic revenue growth; 2) good operating leverage resulting in annual margin improvement of 30-50 bps; 3) debt repayment; and 4) significant share buybacks. Offsetting these factors and leading to our Neutral rating, we highlight that FISV looks to be fully valued currently when compared to its own growth rate and the valuation of its peer group. We also note the risk that anticipated 2013 and beyond revenue growth acceleration is slower to materialize, or comes in below current expectations, due to 1) the major BofA contract renegotiation 2) an announced large core processor contract loss and/or 3) a weaker-than-expected recovery in bank IT spending. A delayed recovery in internal revenue growth could negatively impact valuation in our opinion.

Valuation

Our $86 12-month price target is based on our P/E valuation model. Our P/E valuation model yields an implied share price of $82 (rounded) by applying a 13x-15x multiple to our pro forma 2013 EPS estimate of $5.76. We derive our target multiple range by applying a ~10%-25% premium to Fiserv's forecasted 12% three-year pro forma earnings CAGR. We believe this multiple range is appropriate given our forecast of modest revenue acceleration and low-double-digit EPS growth rates over the next three years for Fiserv. The target range is also in line with Fiserv's 5-year average forward P/E of 13.0x as indicated by FactSet.

Risks

The key risks to our investment thesis on FISV include the following.

1. We see a downward bias to revenue expectations if a bank spending recovery is much slower than anticipated and bank failures and/or consolidation creates an overhang for the shares. A delayed recovery in internal revenue growth or downward EPS revisions could negatively impact valuation.

2. Continuing bank failures have been an ongoing investor concern and could remain a headline risk throughout the current credit cycle. However, we believe the fear is well known and somewhat overdone.

3. A large, near-term acquisition (potentially outside of the U.S.) could hurt FISV shares. This risk, however, is diminished somewhat as Fiserv has increases its balance sheet stability by paying down debt.

5. Fiserv makes extensive use of pro forma, and compensates management to an extent based upon performance on these pro forma metrics – this can have a few different unintended consequences, among them a likely challenge in terms of putting new investors in the stock that will have to come up to speed with the “how and why” of Fiserv’s financial adjustments.

If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price. However, should they be less than anticipated, the stock could trade above our target price.

FleetCor Technologies Inc

Company description

FLT is a leading provider of payment products and services to commercial fleets, major oil companies and petroleum marketers, serving more than 530,000 commercial accounts in 18 countries. The company operates in two segments that are broken up geographically – North America (67% of 2011 revenues) and International (33%). In both segments, the company's core offering is fleet vehicle payment processing services for commercial and government fleets primarily for fuel purchases. The company also offers fleet telematics and lodging/entertainment payment processing services to its clients, which represent a combined ~9% of total revenue.

Investment strategy

We have a Buy (1) rating on FLT. We like several attributes of the company's business model, including its high barriers to entry, strong margins, prospects for international expansion, and strong M&A track record. We believe the company's recent series of M&A gives it ample opportunity to drive strong synergies, while good financial flexibility will allow it to pursue additional accretive M&A and / or share repurchases. The latter would likely come in the form of purchases from its large private equity backers, which reduces the risk of potential secondary offerings. We believe the company's strong EPS growth will deliver good returns for investors.

Valuation

We apply a 15.6x P/E multiple, within our targeted 14x-16x targeted range, to our adjusted 2014 EPS estimate of $4.15 to derive our $65 target price. Our adjusted EPS of $4.15 is comprised of our $3.95 projection plus $0.20 in projected accretion from future M&A and / or share repurchase activity. The targeted multiple range is consistent with FLT's recent and historical trading multiples.

Risks

The key risks to FLT's business are:

- Fuel Price Sensitivity – Roughly 20% of FLT's revenues are tied to fuel prices, so fluctuations in this commodity can impact the company's financial results. The company does not attempt to hedge this exposure.
- Cyclical Exposure – In addition to fuel prices, which typically fluctuate with economic cycles, FLT's business is exposed to other cyclical factors such as transaction volumes and credit losses. If the economy were to slip into a recession, FLT's earnings would be negatively impacted by these factors.
- Limited Metric Disclosure – Relative to other public competitors, FLT's business metric disclosure is fairly limited. We believe this creates uncertainty surrounding the key drivers of the business, making it more difficult to predict.

- Trading Liquidity – Following its IPO in late 2010, FLT's public float and trading liquidity is fairly limited. A secondary offering may be necessary to help alleviate these concerns.

If any of these factors has greater downside effects than we currently contemplate, FLT could fail to reach our target price.

Global Payments, Inc.

Company description

Headquartered in Atlanta, Georgia, Global Payments (GPN) is a leading independent provider of e-Payment processing services primarily to merchants. The company serves customers located in the United States, Canada, the United Kingdom, the Asia-Pacific region, the Czech Republic, and the Russian Federation. For the fiscal year-end May 30, 2011, GPN generated ~$1.9 billion of revenues, with 73% coming from customers located in the U.S. and Canada.

GPN's core business is providing "merchant acquiring" services that enable merchants to accept card-based payments (debit, credit, etc.) at the point-of-sale ("POS"). These services include authorization; electronic draft capture; file transfers to facilitate the funds settlement; and certain exception-based, back office support services such as chargeback and retrieval resolution. Based on Visa and MasterCard purchase volume, GPN is the sixth-largest merchant acquirer in the U.S., the third largest in the U.K., and is the second-largest acquirer in Canada.

Investment strategy

Our Buy (1) rating on GPN is partly because we consider its end-market attractive due to its large opportunity size and the underlying secular trend towards a higher number of card-based payment transactions. Further, we believe that GPN's channel strategy supports consistent above-market top-line growth and its operating model is inherently attractive in terms of cash-generation attributes. Other positive factors include a positive pricing bias in the aftermath of Durbin and the recently announced buyback. Specifically, we believe that GPN should generate ~11% revenue and ~12% cash EPS growth over the next three years. Relative to this prospective growth, we find GPN's valuation is attractive at current levels.

Valuation

Our 12-month $52 target price for GPN is based on our P/E valuation model. GPN's recent peer group average was ~15.5X the 2013 estimate. Within the peer group, we note that the payment processing pure-plays tend to trade at a higher multiple (18X-20X range). We also note that GPN's own historical forward P/E multiple has tended to be in the mid-to-high teens, depending on the timeframe/duration used. Based on these factors, and the risk factors associated with the March 2012 "system breach", we believe a forward P/E multiple range of 14X-15X (i.e., a modest discount to the peer group) is appropriate for GPN. Applying this target multiple to our FY 2013 cash EPS estimate of $3.66 implies a $52 (rounded) target price.

Risks

The key risks to our investment thesis on GPN are:

1. The global economy worsens and consumer sentiment and spending and/or and small- and mid-sized business growth are negatively impacted;

2. The structurally lower-margin ISO business and ongoing pricing pressure from ISOs hurt margin more than expected, and/or expected offsets to the ISO pressure (e.g., platform consolidations, international scale benefits) are slower to materialize;

3. GPN's experiences reduced opportunities to raise prices in a post-Durbin world; and

4. Significant share price volatility around earnings.

If the impact on the company from any of these factors proves to be greater than we anticipate, it may prevent the stock from achieving our target price.

As a positive risk, if GPN were to see better-than-expected growth rates in card transaction volumes or gross dollar volumes of transactions, there could be upside to our estimates and target price. Also we believe these negative attributes are somewhat balanced by the company's consistent solid top-line growth; international market exposure (where ISOs are not a factor); and solid FCF generation.

Green Dot Corp

Company description

GDOT is the largest provider of GPR prepaid cards in the US based on active cards and gross dollar volume loaded. The company was founded in 1999 and sold its first card at Rite Aid in 2001. The company sells its card primarily through its network of 55,000 retail locations in the US through it major partners, which include mass merchants (Walmart, Kmart, Meijer) drug stores (Walgreens, CVS, Rite Aid, Duane Reade), convenience stores (7-Eleven, The Pantry, Circle K) and others (Radio Shack, Kroger). In retail settings, the cards are typically sold off J-hooks and can be purchase in-lane. The company also distributes cards through direct channels (online) and has additional issuance and reload programs (TurboTax, PayPal), including a pilot program with the US Treasury for tax refunds.

Investment strategy

GDOT has built itself into the leading provider of GPR prepaid cards both in terms of active cards and gross dollar volume. The company was early in locking up key retail distribution partnerships, highlighted by its cornerstone relationship with Walmart (others include Walgreens, CVS and Rite Aid). This extensive network has also made GDOT a preferred partner with 3rd party prepaid card programs to serve as a reload network, a fast growing portion of the company's business.

Though we like GDOT's business model, we believe the valuation appropriately captures the risks facing the prepaid industry and the company. This supports our Neutral rating.

Valuation

This company has a Neutral rating. We have not assigned a target price and therefore no valuation methodology is applicable.

Risks

The key risks that face the GPR prepaid sector are as follows:

- Regulatory changes - to the extent that future regulation impacts prepaid interchange, how products are sold and how products are priced, it could be harmful to the business model.
- Pricing - pricing in the GPR prepaid space has historically declined and we expect this trend to continue as new competitors enter the marketplace.

GDOT faces additional risks, including:

- Concentration with Walmart - Walmart represented 63% of GDOT's revenue in 2010.
- High Degree of Churn - GDOT's retail focus has led to a higher degree of cardholder churn.
- Dual Class Structure - GDOT's dual class structure concentrates the voting power with the historical investor base, which is unfavorable to current shareholders.

MasterCard Inc.

Company description

MasterCard is a leading payments solution company acting as a franchisor, processor and advisor providing payment solutions, transaction processing, and consulting and information services. Prior to the May 2006 IPO, MA operated as a Delaware membership corporation which was formed in November 1966. MA's platform includes debit, credit and pre-paid options through their MasterCard, Maestro, and Cirrus brands. MA processes over 28 billion transactions each year in more than 210 countries and territories.

Investment strategy

We rate MA Buy with a target price of $590. We believe the company can continue to deliver strong 20% long-term earnings growth, and the recent pull back in spend is stabilizing based on our channel checks and recent data. In addition, our contacts suggest the regulatory environment for the networks (a key concern that’s held us back) is in good shape and that the merchant settlement MOU will likely get preliminary approval despite merchant pushback.

Valuation

Our 12-month target price for MA is $590. Our target price is based on approximately 20x our 2014 EPS estimate of $30. We use a price-to-earnings (P/E) multiple as our primary valuation metric.

For our valuation, we compare MA to V as it is the only true comparable company, as MA operates the second-largest global credit card network and essentially has the same business model as V. We also consider other processing names such as GPN, HPY, and TSS.

Price-to-Earnings - Our $590 target represents approximately 20x our 2014 estimate, a premium to the average forward P/E multiple of 17x over the past three years.

In terms of relative P/E, MA trades at about 17x our '14 estimate below V at about 18x but above with the average merchant processing peer at about 14.1x. We also note that relative to the S&P 500, MA trades at a premium to the market multiple of 12.8x 2014 earnings.

Risks

Changes in MA's operating environment such as regulatory, economic, political, and market conditions are generally beyond the company's control. We note the following risks to our target price:

Positive Risks: 1) Consumer Spending Increases, 2) Greater International Growth, 3) Improved Debit Growth, and 4) Resolution of Litigation/Legislation Risks (i.e. interchange).

Negative Risks: 1) Consumer Expenditures Could Decline, 2) Financial contagion spreading in Europe, 3) Regulatory & Legal Risks in the US & Abroad, 4) Bank Consolidation, and 5) Settlement Risk.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. Likewise, if any of these factors proves to have less an effect than we anticipate, the stock could materially outperform our target.

NetSpend Holdings

Company description

NTSP is the second-largest provider of GPR prepaid cards in the US based on active cards and gross dollar volume loaded. The company primarily sells its cards through its network of 39,000 distributor locations in the US through its major partners, which include alternative financial services providers (ACE Cash Express, Advance America, Cash America International and Check City) grocery/convenience stores (H-E-B, Speedway, Murphy Oil and Winn-Dixie), non-standard auto insurers (The General, Reliant General Insurance and Aggressive Insurance) and others (Liberty Tax Service). Within these locations, NTSP cards are sold at customer service desks and are not sold off J-hooks for in-lane purchases. The company also partners with Western Union, MoneyGram and Safeway for reload services, bringing its total reload footprint to over 100,000 locations. NTSP also distributes its GPR prepaid cards through direct channels (online, direct mail).

In July 2008, NTSP entered the employee payroll card market through the acquisition of Skylight Financial for a total of $140 million in cash and stock. Through this offering, NTSP offers its customers' employees the option of receiving their paychecks through direct deposit on these prepaid debit cards. NTSP has relationships with 800 employers to offer these cards - clients include Kohl's, Macy's, Starwood Hotels, Church's Chicken, TravelCenters of America and Hospital Corp of America. We estimate the payroll card business represents 10-15% of overall revenue.

Investment strategy

We rate NTSP Buy/High Risk (1H)

NTSP's approach to the market is more bank-like than GDOT's consumer-like approach. This has resulted in a higher penetration of predictable and profitable direct deposit users, which should continue to grow over time. The company has also made investments in the infrastructure of the business to support future growth, which we believe will lead to superior incremental margins.

The key risks to the stock are the same as they are for the sector in general - regulatory changes and pricing. Additionally, NTSP's issuing bank (Meta) has been facing regulatory scrutiny, which could serve as a continued issue for investors.

Valuation

We use an 18x forward P/E multiple, within our targeted 17x-21x P/E multiple range, and our 2013 EPS estimate of $0.76 to arrive at our $13.50 (rounded) price target. Our targeted P/E range represents a 10%-25% discount to our projected 24% EPS growth over the next three years to account for the variety of risks facing the company and the GPR prepaid sector in general.

Risks

We rate NTSP High Risk. The key risks that face the GPR prepaid sector are as follows:

- Regulatory changes - to the extent that future regulation impacts prepaid interchange, how products are sold and how products are priced, it could be harmful to the business model.

- Pricing - pricing in the GPR prepaid space has historically declined and we expect this trend to continue as new competitors enter the marketplace.

NTSP faces additional risks, including:

- Concentration with ACE - ACE Cash Express represented 38% of NTSP's revenues in 2011.

- Issuing Bank Partner - NTSP's largest issuing bank partner, Meta, is facing regulatory scrutiny, which could impact new product introductions and distributor rollouts.

If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price.

Paychex Inc

Company description

Paychex (PAYX), with annual revenues of $2.2 billion in FY12, is the leading provider of outsourced payroll processing services and related HR services to small businesses in the US. The core of PAYX's franchise is Payroll Services (68% of revenues), where it provides payroll processing and tax administration services to 567,000 small and mid-sized clients in the US. PAYX also provides related HR Services (30%), which helps clients offer and process retirement, workers' compensation, health insurance and time & labor management services for its

employees. Lastly, PAYX generates interest income (2%) by investing approximately $3.6 billion of its clients' payroll and tax funds before remittance to the appropriate third parties.

Investment strategy

We have a Sell rating on PAYX. Paychex has an attractive business model with a high degree of recurring revenues, an admirable margin profile and strong cash flow, which it returns to shareholders via a fairly high dividend payout ratio. However, several risks balance these positives: the prospect for flattish employment levels at existing clients, continued bankruptcies and slow new business starts in its core small-business market. We also point to re-investment risk as a factor that can affect forward earnings. These factors contribute to our expectation for poor earnings growth relative to historical levels for PAYX. Finally, given our expectation for modest earnings growth, we believe the current valuation, both on an absolute and relative basis, is expensive. Therefore, we believe a Sell rating on PAYX is justified.

Valuation

Our 12-month target price for PAYX is $29 based on the average of our P/E and DCF analyses.

P/E Analysis: We use a 25% premium, within our targeted 15%-35% premium range, relative to the S&P P/E multiple (13.1x per FactSet) to derive our targeted 16.5x forward multiple for PAYX. The 15%-35% premium range is below the 50% average premium over the past five years (per FactSet) to reflect the recent and ongoing declines in this metric as PAYX's growth has slowed. We apply the 16.5x forward multiple to our FY13 EPS estimate of $1.59 to derive our $26 P/E-based target for PAYX.

Discounted Cash Flow (DCF) Analysis: Based on our 10-year DCF analysis, we derive a $32 target price for PAYX. Our analysis incorporates the following assumptions: weighted average cost of capital (WACC) of 7.7% (calculated), based on a beta of 0.90 (Bloomberg adjusted five-year weekly), a risk-free rate of 1.81% (CIRA estimate) and a market risk premium of 6.54% (CIRA estimate); and terminal growth rate of 1.0%-1.5%.

Risks

The key risks to our investment thesis on PAYX are:

- Employment - PAYX's revenues are primarily dependent upon the number of employees it processes payroll and benefits information for. If employment growth in the small and mid-sized business market in the US is beyond our expectations, there could be upside risk to our earnings estimates.

- Interest Rates - PAYX generates a substantial portion of its income from interest earned on its float portfolios. If there is a sudden recovery in interest rates, earnings could exceed our expectations.

- Dependence on Bankruptcies/New Business Starts - Because of its dependence on the small business market, PAYX loses a substantial portion (18%-23%) of its client base each year, mainly due to bankruptcies, and roughly half of its new clients are new business starts. If credit conditions improve, new business formation and bankruptcies could outperform relative to our expectations, which could create upside to our forecasts.

If any of these risk factors has a greater upside impact than we anticipate, the stock could exceed our target price.

Total System Services

Company description

Based in Columbus, Georgia, Total System Services (TSS) is a leading global provider of electronic payment processing services to a range of card issuers and merchants. Most of its services are provided on an outsourced basis. For 2010, total revenues (including reimbursable items) were $1.72 billion; GAAP operating profit was $308 million; and adjusted EPS were $1.00.

Investment strategy

We rate TSS Neutral (2). We highlight TSS' positive characteristics including leading market position; stable, recurring revenue streams; solid operating leverage and FCF capabilities; and clean balance sheet. TSS should achieve low-to-mid-single digit revenue growth over the next three years as it benefits from positive secular trends (e.g. cash/checks to e-payments); positive cyclical trends (cards/transactions growth reemerges, increased spending on value added products), and its exposure to faster-growing international markets. To this top-line growth we expect TSS can achieve reasonable margin improvement from driving more transactions over its mostly fixed cost networks and increased scale in new geographies. Incremental margin gains will also come from moving transactions from the acquired FNMS system onto TSS' system and eliminating the dual network costs. The combination of these factors will drive estimated 10% EPS CAGR over the next three years for TSS. Finally, TSS has done a good job of working through significant client account losses over the past five years.

Offsetting these factors and leading to our Neutral rating, we highlight 1) TSS' valuation premium to its peer group; 2) the ongoing risk of another major client de-conversion, or another bank taking its processing needs in-house; 3) TSS has no clear strategy to serve the fast growing debit card processing market; 4) TSS' fastest growing segment (International) is also its lowest margin segment potentially creating a long-term margin drag on the company; and 5) U.S. credit card growth may not return to pre-recession levels. With respect to our first risk, TSS' valuation premium to its peer group implies that the positive factors we discussed are already captured by the current multiple, so we see limited upside over the next 12 months.

Valuation

Our 12-month $23 target price for TSS is based on our comp-based P/E valuation model. TSS' peer group recently traded in a 13x-17x P/E range for the payment processors and 20x-22x range for the networks (V/MA) based on our/consensus 2013 EPS estimates. The average P/E was 17X the 2013 estimate, versus TSS' recent 16X P/E multiple. We note that TSS makes few adjustments to its reported non-GAAP EPS from continuing operations (mostly spin/restructuring related costs), and we have made corresponding adjustments to our comps. Based TSS' recent string of solid results driven by improved underlying fundamentals/volume growth trends, we believe the company deserves a P/E multiple toward the higher end of its processor comps but below the networks, or 16x-17x. Appling this target multiple to our 2013 adjusted EPS estimate of $1.43 implies a $23 (rounded) target price.

Risks

The key risks to our investment thesis on TSS are:

1. TSS has a history of periodic de-conversions and contract losses – it does not help that TSS faces a large and determined competitor in each of its end-markets.

2. TSS “missed the boat” on debit, which continues to be an important part of the overall payment mix.

3. Its faster-growth International Services unit also has below-corporate-average margins. This unit also introduces foreign exchange and geopolitical risks.

4. It is not yet clear whether U.S. credit card growth will return to pre-recession levels.

If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price.

As a positive risk, if TSS were to see better than expected penetration in International markets, there could be upside to our estimates and target price.

Vantiv, Inc.

Company description

Cincinnati-based Vantiv, Inc is a leading third-party provider of electronic payment processing services in the United States. VNTV operates in two segments: Merchant Services (~65% of revenues) and Financial Institution (FI) Services (~35% of revenues). Merchant Services provides services that enable merchants to accept card-based payments at the point-of-sale (authorization, clearing, settlement, and reconciliation). FI Services provides card issuer processing, payment network processing, fraud protection, card production, prepaid program management, ATM driving, and network gateway and switching services. For the year-ended December 31, 2011, VNTV generated net revenues of $866 million, pro forma adjusted operating income of $405 million and $0.86 of pro forma cash EPS.

Investment strategy

We rate VNTV Buy (1). We highlight VNTV’s investment merits including strong market position, recurring revenue streams, solid operating leverage potential, and FCF capabilities leading to deleveraging. VNTV should achieve low-double-digit organic revenue growth in the 10%-12% range over the next three years as it benefits from positive secular trends (e.g., cash/checks to e-payments) and leverages its internal and third-party sales force to take share from competitors. To this top-line growth we expect VNTV can achieve reasonable margin improvement from driving more transactions over its mostly fixed cost networks. Finally, we expect VNTV will use available FCF to continue to deleverage. Putting these factors together yields EPS growth in the mid-to-high-teens over the medium term.

Valuation

Our 12-month $25 target price for VNTV is based on our P/E valuation model and supported by our EV/EBITDA analysis.

P/E based target price - We use the current 2013 P/E multiples of comparable companies to derive the appropriate target multiple range for Vantiv. Our comps include merchant processing companies that compete with Vantiv including TSS, HPY, and GPN. We also include the payment card networks V and MA, as these companies operate within the electronic payments ecosystem and exhibit growth and margin profiles similar to VNTV. The average comparable P/E was 17.6x the 2013 estimate, ranging from 15x for the merchant processors to 21x for Visa and MasterCard. Given VNTV's relative growth profile and margin performance vs. its merchant processor peers, we believe a premium multiple to those companies is appropriate, but a modest discount to the networks is also warranted. As a result, we utilize a forward P/E multiple range of 17x-19x. We apply our 17x-19x multiple to VNTV's 2013 estimated adjusted EPS of $1.35 (including normalized stock option expenses) to arrive at out $25 target price.

EV/EBITDA Analysis – On an EV/EBITDA basis our $25 target price implies an 11X multiple on our 2013 estimate of $545 million (adjusted for stock-based - compensation). This is in line with the comparable universe average of 11X, and consistent with our P/E analysis of being a premium to VNTV's direct competitors and a modest discount to the networks.

Risks

Risks to the achievement of our target price for VNTV include the following:

1. Merchant processors have suffered data breaches (HPY in 2009, GPN in March 2012), which can result in meaningful fines, remediation costs, and legal and other expenses – not to mention periods of investor uncertainty following the event.

2. Vantiv operates in a highly competitive U.S. processing market with many strong players. This has led to long-term industry pricing pressure, and for some participants, meaningful competitive losses and/or margin declines.

3. Vantiv has no exposure to fast growing non-U.S. emerging markets. Vantiv would most likely have to grow through acquisitions internationally to gain scale which carries execution risk and could impact its margin profile.

4. Vantiv still has large financial sponsor ownership post IPO and after the secondary offering earlier this summer.

If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price.

Visa Inc.

Company description

Visa (V) is the world's largest retail electronic payments network providing financial institutions with product platforms including credit cards, debit cards, and prepaid cards. Visa was formed by the October 2007 reorganization of four separate entities which previously formed the Visa association: Visa USA; Visa International (comprising Asia Pacific (AP), Latin America and Caribbean (LAC), and Central and Eastern Europe, Middle East and Africa (CEMEA)); Visa Canada; and Innovant. A fifth member of the association, Visa Europe, remains independent. Visa processed 52 billion transactions representing $6 trillion in total gross dollar volume in 2011. Visa provides a global central processing platform for financial institutions and merchants.

Investment strategy

We rate Visa shares Neutral. V has the enviable position of operating the world's largest retail network that has given it a significant scale advantage over its top peer MasterCard. We think the shares are fairly valued at the current level. So with a wobbly macro, investors may be reluctant to bid up the stock materially, but downside should be limited given the levers to offset slower spend, particularly share repurchases. We are maintaining our Neutral rating and look for a more attractive entry point.

Valuation

Our 12-month target price for V is $168. Our target price is based on about 20x our calendar 2014 EPS estimate of $8.60. For our valuation, we compare V to MA as it is the only true comparable company, as MA operates the second-largest global credit card network and essentially has the same business model as V. We also consider other processing names such as GPN, HPY and TSS. In terms of relative P/E, MA trades at 17x our 2014 estimate. By comparison, the merchant processing peers are trading at 14.1x.

Risks

Changes in V's operating environment such as regulatory, economic, political, and market conditions are generally beyond the company's control. We note the following risks to our target price:

Positive risks: 1) consumer spending increases, 2) greater international growth, 3) improved debit growth, and 4) resolution of litigation/legislation risks (i.e. interchange).

Negative risks: 1) consumer expenditures could decline, 2) regulatory & legal risks in the US & abroad, 3) bank consolidation, and 4) settlement risk.

If the impact on the company from any of these factors proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. Likewise, if any of these factors proves to have less an effect than we anticipate, the stock could materially outperform our target.

VeriFone Systems Inc

Company description

PAY is a leading provider of point-of-sale (POS) electronic payment solutions globally. The company's systems (~71% of revenues) include merchant-operated, consumer-facing and self-service payment systems for the financial, retail, hospitality, petroleum and other industry verticals. The company also provides related services (~29%), which include software updates, repair and maintenance, as well as taxi-related payments revenue. The company acquired the industry's third-largest player, Hypercom, to become the largest company in the POS terminal market.

Investment strategy

We have a Buy (1) rating on PAY, which is primarily predicated on the company's strong growth potential in the coming few years. PAY's growth will be driven by:

- Acquisition Synergies – PAY has been meeting or exceeding its synergy targets from its two recent acquisitions and we expect some further upside to drive margins higher over the next year.
- Secular Trends – PAY has almost doubled its emerging markets exposure over the past 7 years to ~40%. Secular trends toward electronic payments remain robust in these geographies, which helps core growth even in a weak economy.
- Multiple Drivers of LT Growth – In developed markets, we see multiple secular drivers of growth for PAY, including further taxi penetration (London), gasoline pump penetration in the US, software upgrade sales and mobile payments/NFC to name a few. We look for these drivers to gain strength through FY13-FY15 and become increasingly important to VeriFone's forward EPS growth.

We believe investors are overly discounting PAY's strong current growth and future prospects and the valuation of the stock is attractive at these levels.

Valuation

We use a P/E analysis to derive our $47 12-month target price for PAY.

We apply a 12x P/E multiple, which is within our targeted 11x-13x range, to our CY14 EPS estimate of $3.91 to derive our $47 price target. This target multiple is below PAY's long-term average of ~18x (per FactSet) and below our near-term EPS growth expectations of 16% in FY13-FY15. This discount accounts for recent disappointments relative to expectations and concerns related to new competition.

Risks

The key risks to our investment thesis on PAY are:

- Merger Integration - Though it is one of the greatest opportunities for PAY over the next two years, execution of the merger integrations of Hypercom and Point is also one of the greatest risks. The company has a limited history of integrating acquisitions of this size and expectations for synergies are relatively high.
- Cyclical Exposure - Although secular trends in the payments market remain positive, there is a degree of cyclicality to PAY's business. In difficult times, their customers can delay purchase of new POS terminals in certain cases, which the company experienced in the prior recession.
- Currency - PAY generates the majority of its revenues outside the US. Though its products are normally priced in US dollars, fluctuations in exchange rates can raise or lower prices in local currency terms, which could impact demand. A significant portion of PAY's expenses are also incurred outside the US.

If any of these factors has greater downside effects that we currently contemplate, PAY could fail to reach our price target.

Western Union Co.

Company description

With roots dating back to 1851, Western Union is the leading global provider of money transfer services. The core of the WU franchise is its consumer-to-consumer (C2C) remittance business (84% of revenues), which operates through 510,000

agent locations in more than 200 countries and territories. In 2011, WU handled $81 billion in remittance volume around the world, of which over 90% were done in the form of walk-in cash-to-cash transactions. Additionally, WU's Consumer-to-Business (C2B) segment (11%) offers urgent bill payment solutions for mortgages, car loans and other services. It's Business Solutions (B2B) segment (6%) provides cross-border payment services to small- and medium-sized businesses. WU also provides prepaid money orders and debit cards to its customers (2%). WU's latest round as a public company began after its 2006 spin-off from First Data.

Investment strategy

We have a Buy (1) rating on WU.

WU benefits from a long list of admirable investment characteristics. It is a market leader in the large and attractive market for money transfer – its exposure to long-term global migration patterns is a tremendous positive. Importantly, we believe there are numerous growth drivers that should continue to benefit WU in the years to come.

That said, Western Union faces both short- and long-term risks that partially offset these positive attributes. The primary short-term risk is the impact of the weak global economy – specifically, what if economic weakness persists? Secondly, WU faces intense competition in a market with normal price erosion, which limits its ability to grow and expand margins.

While the outlook for WU has challenges, we believe we have placed a sufficient dose of conservatism in our model. In the longer-term, WU is leveraged to an eventual global recovery, and ongoing efforts to add incremental growth (through M&A/new products) and expand margins (through commission renegotiations/cost-cutting) should shine through once revenue growth recovers. Given these trends and a valuation that offers the potential for modest multiple expansion amid improving EPS growth, we believe our Buy rating on WU is appropriate.

Valuation

Our 12-month target price of $14.50 for WU is based on the average of our P/E and DCF analyses.

P/E Analysis: We use a 9.5x target multiple, which is within our targeted 9x-10x P/E range, and our 2013 EPS estimate of $1.45 to reach our $14 (rounded) P/E target for WU. Our targeted multiple range is below WU's historical average multiple of ~14x (per StockVal), due to lower EPS growth expectations over the next couple of years as compared to historical guidance.

Discounted Cash Flow (DCF) Analysis: Based on our ten-year DCF analysis, we derive a $15 price target for WU. Our analysis incorporates the following assumptions: Weighted Average Cost of Capital (WACC) of 7.5% (calculated), based upon a Beta of 1.03 (Bloomberg adj. 5-yr weekly), a Risk-Free Rate of 1.81% (Citi Estimate) and a Market Risk Premium of 6.54% (Citi Estimate); Terminal Growth Rate of (4%)-(3.5%), which helps capture the long-term risk of competitive displacement and continued price competition.

Risks

The key risks to our investment thesis on WU are:

- Economic Impact on Remittances – Due to weak global economic conditions, remittance growth is expected to remain below historical norms. If the global economy weakness persists longer than we anticipate or if major countries react with increased protectionism over employment, WU could have difficult reaching our financial projections.
- Cyclicality of Global Payments Unit – WU's Global Payments unit (14% of revs) is predominately its US urgent bill payment platform, which largely depends on the health of the US economy.
- Regulatory Changes – WU's C2C business is highly regulated and changes to regulations could have an impact. The upcoming implementation of the Payment Services Directive (PSD) in the EU may lower the barriers to entry for competitors.
- Technology Displacement – Over the LT, emerging alternatives to cash money transfer, such as online or mobile payments, could emerge as a threat to WU and impact pricing.
- Foreign Currency – Nearly 60% of WU's revenue are originated outside the US, making it exposed to fluctuations in foreign currency.
- Leverage – WU has ~$3.5 billion in borrowings on its balance sheet, which increases the risk profile of the firm.
- Taxes – Any changes on how the US taxes foreign profits could increase WU's structural tax rate.

If any of these risk factors has a greater downside impact than we anticipate, the share price will likely have difficulty attaining our target price.

WEX Inc

Company description

WXS is a leading provider of business payment processing and information management solutions, serving more than 350,000 customers primarily in North America (~88% of revenues) and Australia (~12%). The company operates in two segments – Fleet Payment Solutions (79%) provides customers with fleet vehicle payment processing services for commercial and government fleets primarily for fuel purchases; Other Payment Solutions (21%) provides payment processing solutions for corporate purchasing in the form of corporate charge cards, single use accounts, prepaid gift cards, and payroll cards. The company changed its name to WEX Inc from Wright Express Corp in October 2012.

Investment strategy

We have a Neutral (2) rating on WXS. We like many factors of the company's business model, including its high barriers to entry, strong margins and recurring revenue base. Additionally, the revenue growth prospects in the Other Payments division are encouraging. However, we believe the stock remains susceptible to macro-related weakness, which impacts the company through a combination of lower fuel prices, lower transaction volumes, and higher credit losses. We also worry about the below average organic trends in both revenue growth and margins. However, we see limited reasons for the stock's premium valuation to change in the near-term, which leads to our Neutral rating.

Valuation

We use a P/E analysis to derive our $79 12-month target price for WXS. We apply a 14x.5 P/E multiple, within our targeted 13x-15x targeted range, to our 2014 EPS estimate of $5.45 to derive our $79 target price. This targeted multiple range is consistent with WXS's recent and historical trading multiples.

Risks

The key risks to WXS' business are:

- Fuel Price Sensitivity – Roughly 47% of WXS' revenues are tied to fuel prices, so fluctuations in this commodity can significantly impact the company's financial results, positively or negatively. WXS employs a complex hedging strategy to mitigate the near-term impact of fuel prices changes, but the net impact is still quite meaningful.
- Cyclical Exposure – In addition to fuel prices, which typically fluctuate with economic cycles, WXS' business is exposed to other cyclical factors such as transaction volumes and credit losses. If the economy were to slip into a recession, WXS' earnings would be negatively impacted by these factors. However, if economic conditions were to improve, earnings could be impacted positively.
- Cash Flow Reporting – Due to its owned industrial bank, WXS' cash flow reporting is relatively vague and difficult to predict. We believe this could have a modest negative impact on the trading multiple of the stock.

If any of these factors has greater upside or downside effects than we currently contemplate, WXS could exceed or fail to reach our target price.

Appendix A-1

Analyst Certification

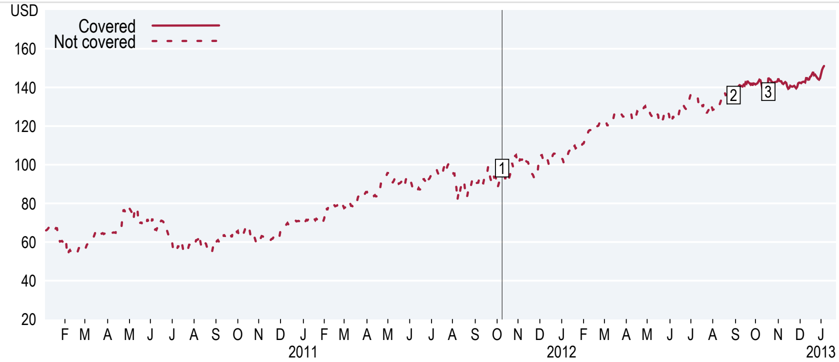
The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

IMPORTANT DISCLOSURES

Alliance Data Systems Corp (ADS)

Ratings and Target Price History
Fundamental Research

Analyst: Philip Stiller, CFA
Covered since August 30 2012



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	30-Aug-12	*2	*146.00	137.17
3	18-Oct-12	2	*155.00	144.97

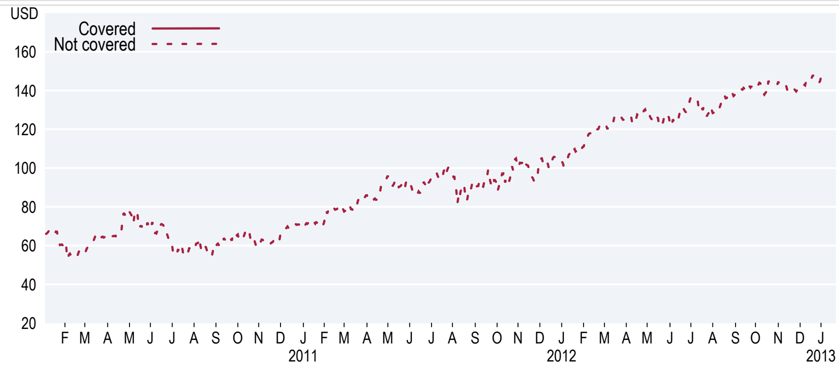
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Alliance Data Systems Corp (ADS)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Philip Stiller, CFA
Covered since August 30 2012



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Automatic Data Processing Inc (ADP)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA

	Date	Rating	Target Price	Closing Price
1	2-Feb-10	1L	*46.00	41.18
2	27-Apr-10	1L	*48.50	44.42
3	29-Jul-10	1L	*47.00	41.32
4	27-Oct-10	1L	*48.00	44.68
5	26-Jan-11	1L	*54.00	48.47
6	2-May-11	1L	*59.00	54.70
7	28-Jul-11	1L	*58.00	51.78
8	8-Oct-11	Stock rating system changed		
9	8-Oct-11	*1	58.00	48.86
10	25-Jan-12	*2	*60.00	56.92

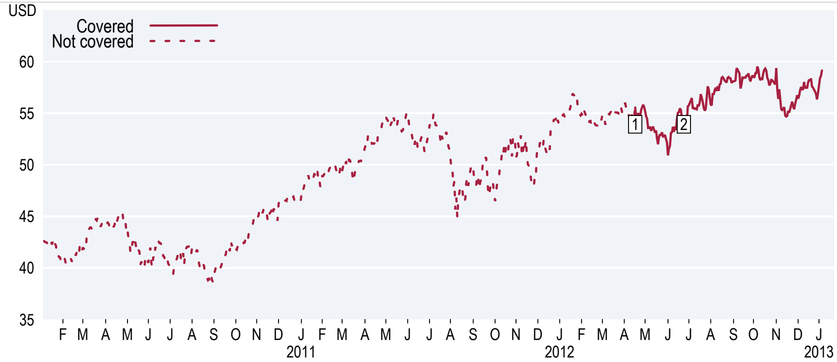
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Automatic Data Processing Inc (ADP)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA



	Date	Rating	Target Price	Closing Price
1	17-Apr-12	*ADD LP	-	55.55

	Date	Rating	Target Price	Closing Price
2	25-Jun-12	*REM LP	-	53.92

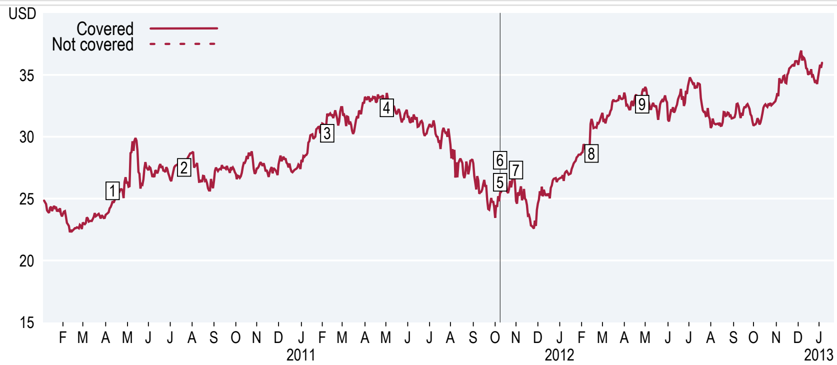
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Fidelity National Info Svcs, Inc (FIS)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA
Covered since April 11 2010



	Date	Rating	Target Price	Closing Price
1	11-Apr-10	*1H	*30.00	24.52
2	21-Jul-10	1H	*34.00	27.71
3	8-Feb-11	1H	*37.00	31.87

	Date	Rating	Target Price	Closing Price
4	3-May-11	1H	*40.50	33.54
5	8-Oct-11	Stock rating system changed		
6	8-Oct-11	*1	40.50	24.79

	Date	Rating	Target Price	Closing Price
7	1-Nov-11	1	*32.00	24.80
8	15-Feb-12	1	*36.00	31.44
9	26-Apr-12	1	*38.00	33.63

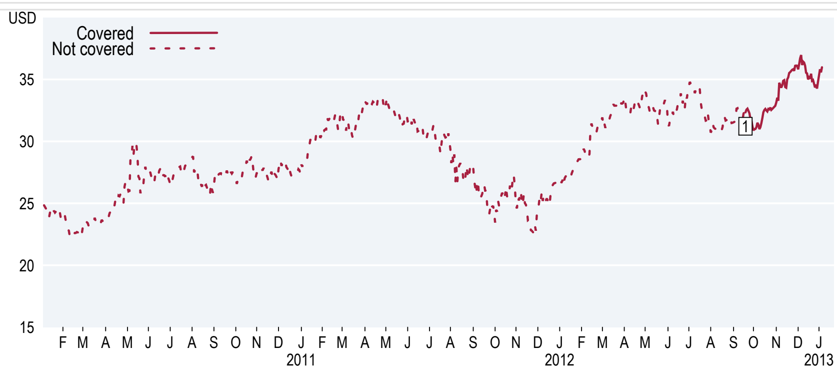
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Fidelity National Info Svcs, Inc (FIS)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA
Covered since April 11 2010



	Date	Rating	Target Price	Closing Price
1	19-Sep-12	*ADD MP	-	32.34

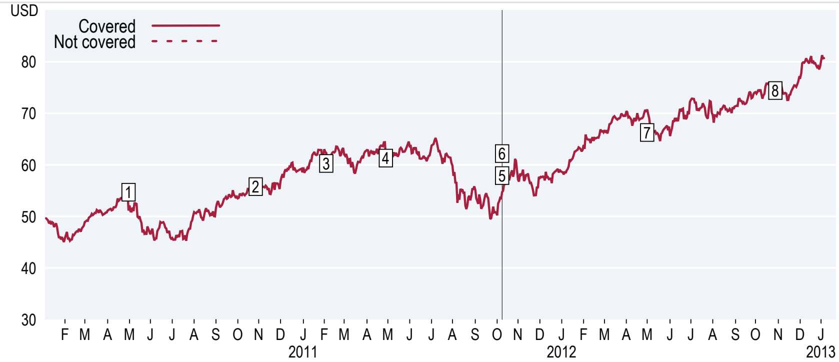
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Fiserv, Inc. (FISV)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA



	Date	Rating	Target Price	Closing Price
1	30-Apr-10	1M	*60.00	51.13
2	27-Oct-10	1M	*64.00	54.84
3	3-Feb-11	1M	*70.00	62.31
4	28-Apr-11	1M	*75.00	61.47
5	8-Oct-11	Stock rating system changed		
6	8-Oct-11	*1	75.00	53.38
7	1-May-12	1	*82.00	70.75
8	29-Oct-12	*2	82.00	75.25

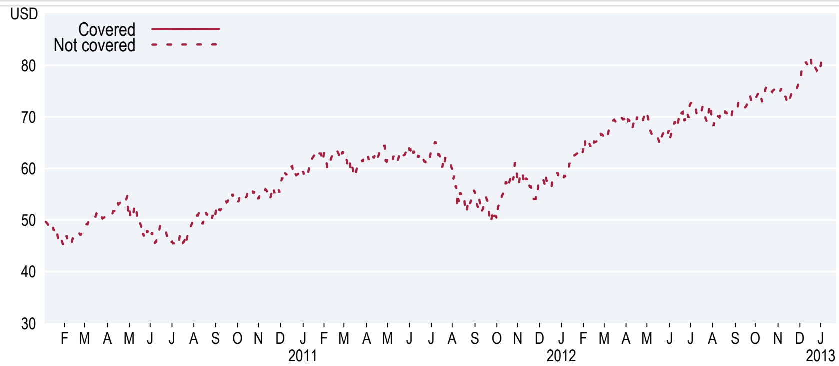
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Fiserv, Inc. (FISV)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA



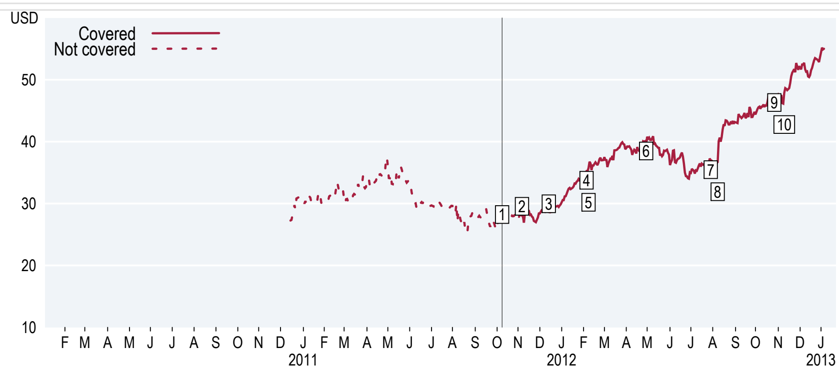
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

FleetCor Technologies Inc (FLT)

Ratings and Target Price History
Fundamental Research

Analyst: Philip Stiller, CFA
Covered since November 7 2011



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	7-Nov-11	*2	*30.00	28.05
3	14-Dec-11	2	*32.00	29.96
4	5-Feb-12	2	*36.00	34.74
5	8-Feb-12	2	*40.00	35.74
6	29-Apr-12	2	*43.00	40.08
7	29-Jul-12	2	*39.00	37.27
8	8-Aug-12	2	*41.00	36.70
9	26-Oct-12	2	*49.00	46.64
10	9-Nov-12	*1	*56.00	47.88

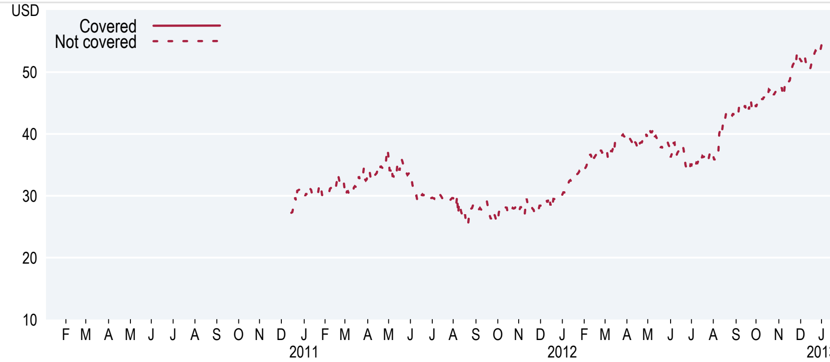
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

FleetCor Technologies Inc (FLT)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Philip Stiller, CFA
Covered since November 7 2011



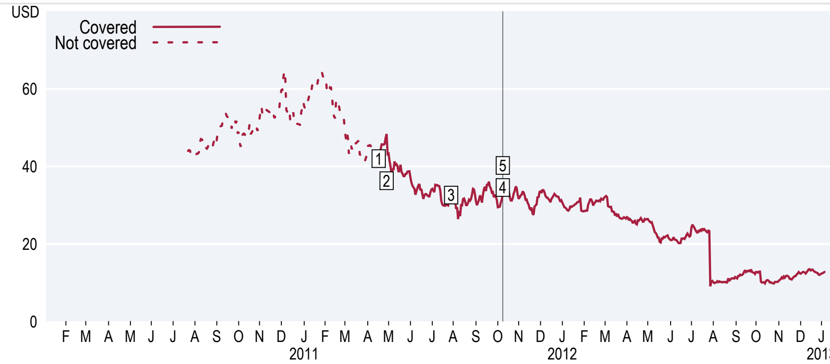
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Green Dot Corp (GDOT)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA
Covered since April 18 2011



	Date	Rating	Target Price	Closing Price
1	18-Apr-11	*2H	*47.00	42.74
2	28-Apr-11	2H	*50.00	48.36
3	28-Jul-11	2H	*38.00	32.28
4	8-Oct-11	Stock rating system changed		
5	8-Oct-11	*2	-	31.47

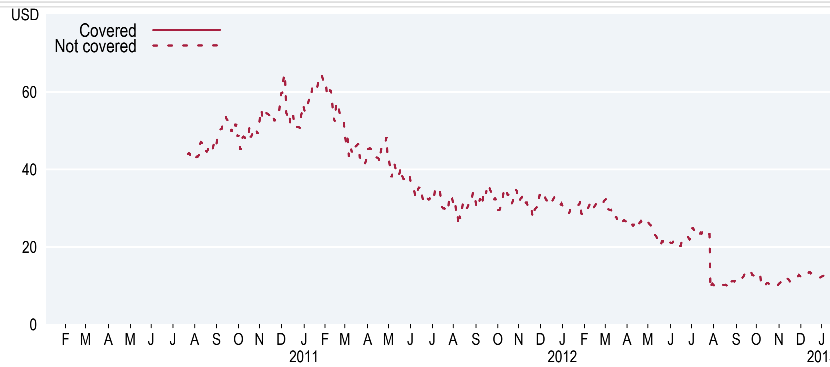
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Green Dot Corp (GDOT)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA
Covered since April 18 2011



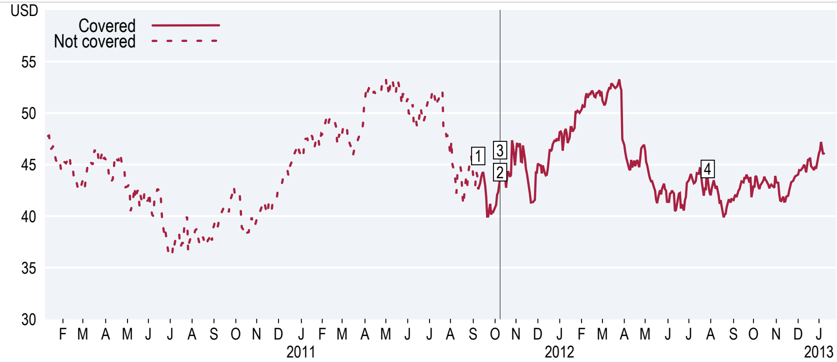
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Global Payments, Inc. (GPN)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA
Covered since September 8 2011



	Date	Rating	Target Price	Closing Price
1	8-Sep-11	*1H	*53.00	42.60
2	8-Oct-11	Stock rating system changed		
3	8-Oct-11	*1	53.00	42.30
4	27-Jul-12	1	*52.00	44.33

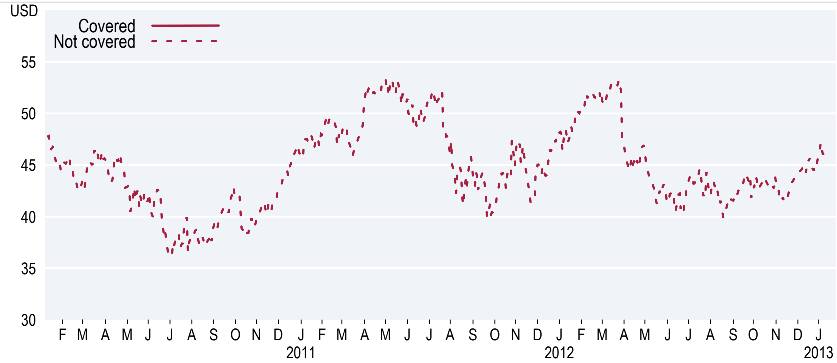
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Global Payments, Inc. (GPN)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA
Covered since September 8 2011



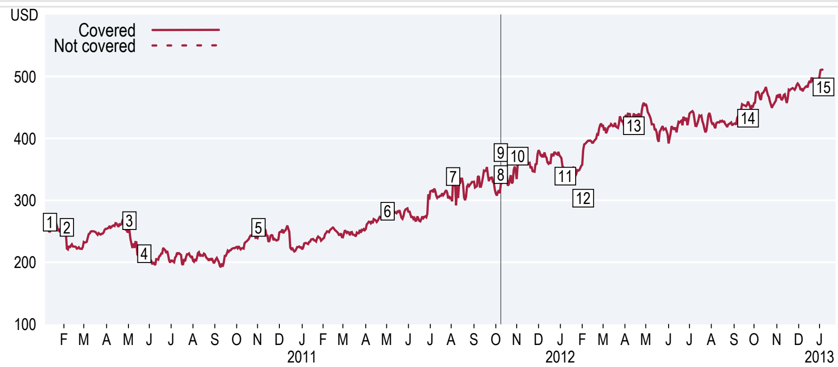
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

MasterCard Inc. (MA)

Ratings and Target Price History
Fundamental Research

Analyst: Donald Fandetti, CFA



	Date	Rating	Target Price	Closing Price
1	7-Jan-10	*2M	*275.00	253.89
2	4-Feb-10	2M	*250.00	222.11
3	4-May-10	2M	*265.00	251.25
4	25-May-10	2M	*232.00	206.87
5	2-Nov-10	2M	*255.00	245.98
6	3-May-11	2M	*305.00	282.38
7	3-Aug-11	2M	*340.00	338.47
8	8-Oct-11	Stock rating system changed		
9	8-Oct-11	*2	340.00	311.46
10	2-Nov-11	2	*360.00	357.66
11	9-Jan-12	2	*375.00	345.82
12	2-Feb-12	2	*410.00	381.57
13	13-Apr-12	2	*437.00	440.46
14	21-Sep-12	*1	*525.00	459.52
15	7-Jan-13	1	*590.00	510.98

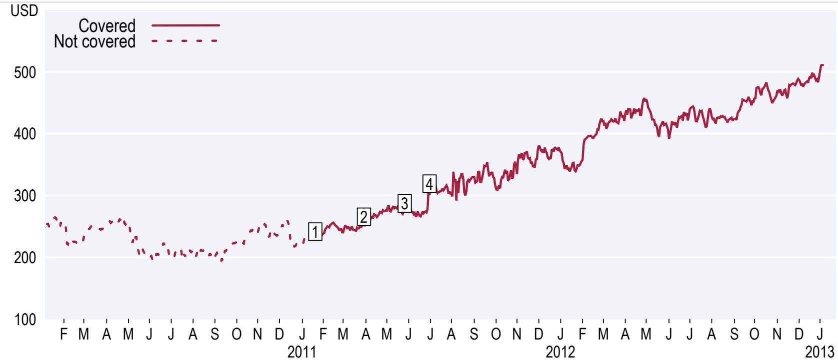
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

MasterCard Inc. (MA)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Donald Fandetti, CFA



	Date	Rating	Target Price	Closing Price
1	20-Jan-11	*ADD MP	-	235.10
2	30-Mar-11	*REM MP	-	253.66
3	26-May-11	*ADD MP	-	282.10
4	30-Jun-11	*REM MP	-	301.34

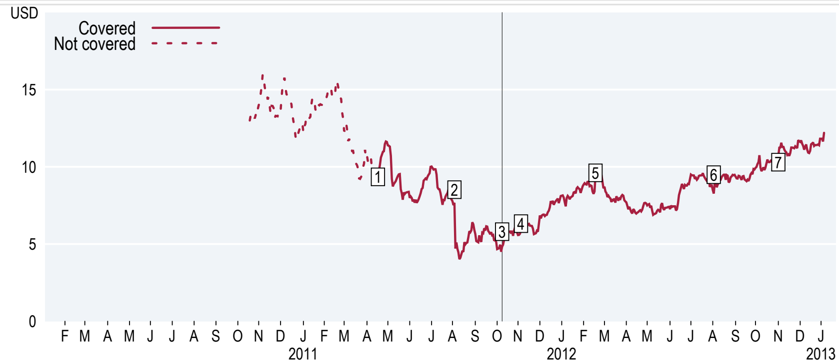
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

NetSpend Holdings (NTSP)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA
Covered since April 18 2011



	Date	Rating	Target Price	Closing Price
1	18-Apr-11	*1H	*13.00	9.35
2	3-Aug-11	1H	*10.00	7.67
3	8-Oct-11	Stock rating system changed		
4	4-Nov-11	1H	*9.00	5.94
5	17-Feb-12	1H	*10.50	9.50
6	2-Aug-12	1H	*11.00	8.27
7	1-Nov-12	1H	*13.50	10.71

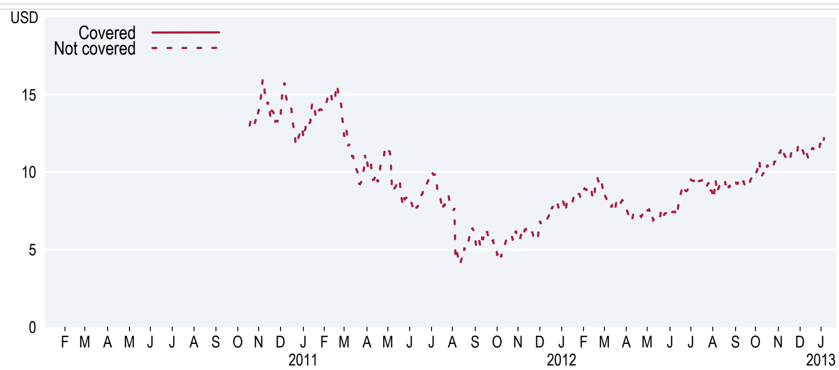
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

NetSpend Holdings (NTSP)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA
Covered since April 18 2011



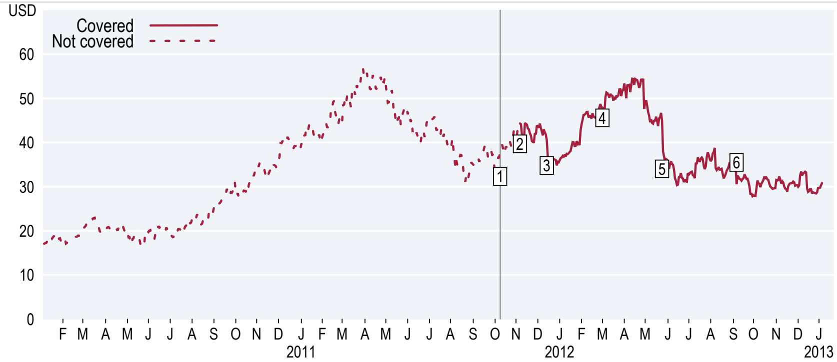
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

VeriFone Systems Inc (PAY)

Ratings and Target Price History
Fundamental Research

Analyst: Philip Stiller, CFA
Covered since November 7 2011



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	7-Nov-11	*1	*51.00	44.32
3	14-Dec-11	1	*53.00	40.55
4	1-Mar-12	1	*57.00	47.90
5	24-May-12	1	*55.00	45.00
6	6-Sep-12	1	*47.00	30.55

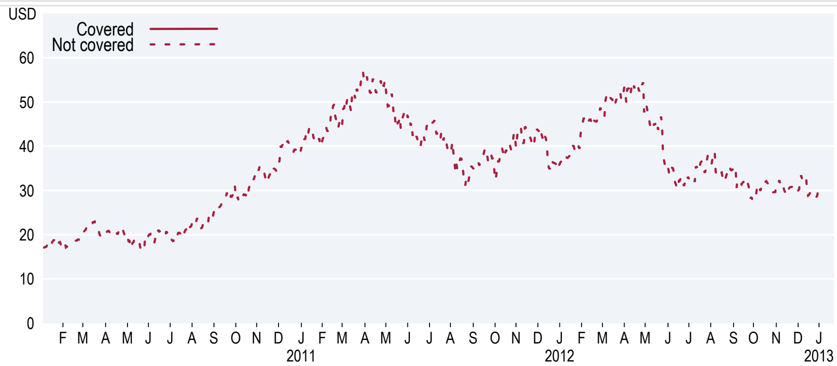
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

VeriFone Systems Inc (PAY)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Philip Stiller, CFA
Covered since November 7 2011



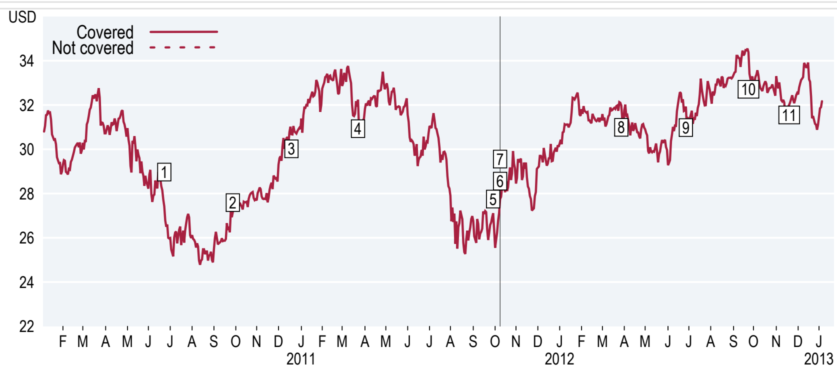
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Paychex Inc (PAYX)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA



	Date	Rating	Target Price	Closing Price
1	23-Jun-10	2M	*29.00	27.42
2	28-Sep-10	2M	*27.50	27.17
3	20-Dec-10	2M	*29.50	30.68
4	23-Mar-11	2M	*32.00	32.24
5	29-Sep-11	2M	*28.00	27.11
6	8-Oct-11	Stock rating system changed		
7	8-Oct-11	*2	28.00	27.11
8	28-Mar-12	2	*31.00	31.98
9	27-Jun-12	2	*30.50	31.93
10	24-Sep-12	*3	30.50	34.38
11	20-Nov-12	3	*29.00	32.01

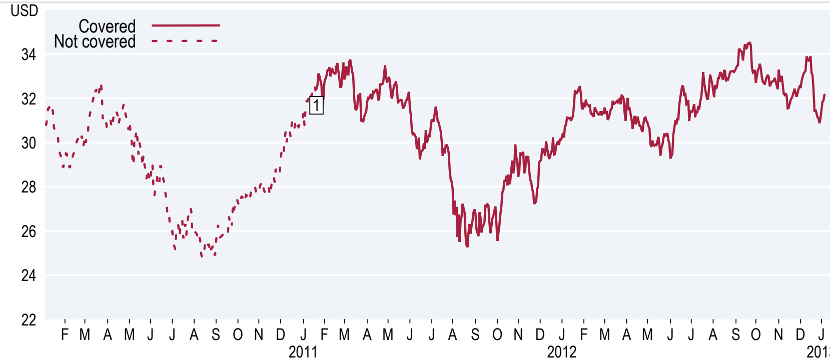
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Paychex Inc (PAYX)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA



Date	Rating	Target Price	Closing Price
1 20-Jan-11	*ADD LP	-	32.43

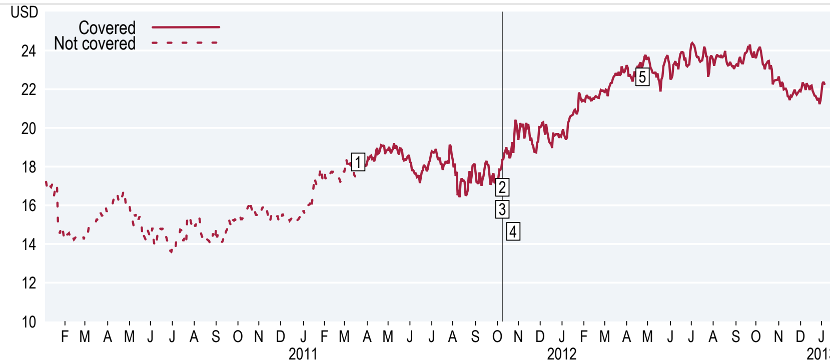
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Total System Services (TSS)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA
Covered since March 21 2011



Date	Rating	Target Price	Closing Price
1 21-Mar-11	2H	*19.00	18.06
2 8-Oct-11	Stock rating system changed		
3 8-Oct-11	*2	19.00	17.96
4 25-Oct-11	2	*20.00	18.71
5 24-Apr-12	2	*23.00	23.20

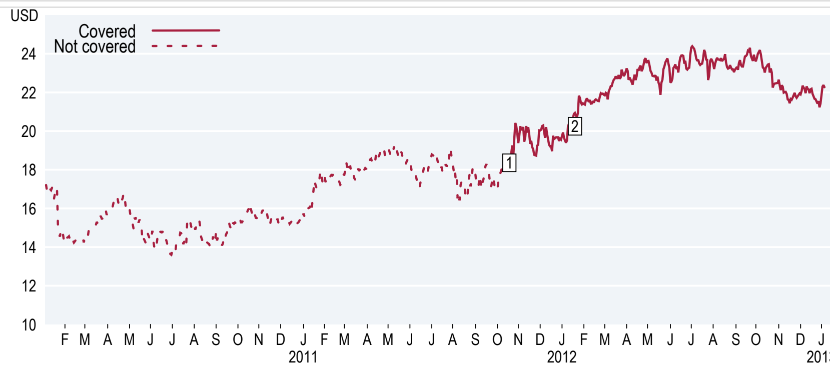
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Total System Services (TSS)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA
Covered since March 21 2011



Date	Rating	Target Price	Closing Price
1 19-Oct-11	*ADD LP	-	18.44
2 19-Jan-12	*REM LP	-	20.94

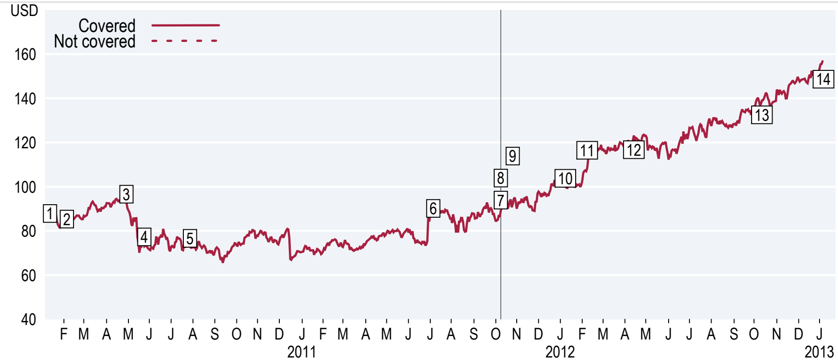
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Visa Inc. (V)

Ratings and Target Price History
Fundamental Research

Analyst: Donald Fandetti, CFA



	Date	Rating	Target Price	Closing Price
1	7-Jan-10	*2M	*95.00	86.76
2	4-Feb-10	2M	*97.00	83.05
3	29-Apr-10	2M	*98.00	92.82
4	25-May-10	2M	*83.00	72.97
5	28-Jul-10	2M	*78.00	75.18
6	6-Jul-11	2M	*88.00	88.20
7	8-Oct-11	Stock rating system changed		
8	8-Oct-11	*2	88.00	86.25
9	26-Oct-11	2	*92.00	92.02
10	9-Jan-12	2	*104.00	99.90
11	8-Feb-12	2	*115.00	108.35
12	13-Apr-12	2	*123.00	123.16
13	11-Oct-12	2	*150.00	139.05
14	7-Jan-13	2	*168.00	156.77

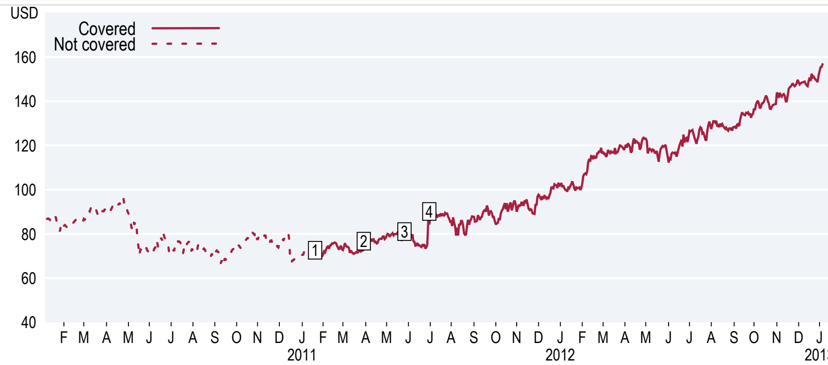
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Visa Inc. (V)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Donald Fandetti, CFA



	Date	Rating	Target Price	Closing Price
1	20-Jan-11	*ADD LP	-	70.69
2	30-Mar-11	*REM LP	-	74.23
3	26-May-11	*ADD LP	-	79.29
4	30-Jun-11	*REM LP	-	84.26

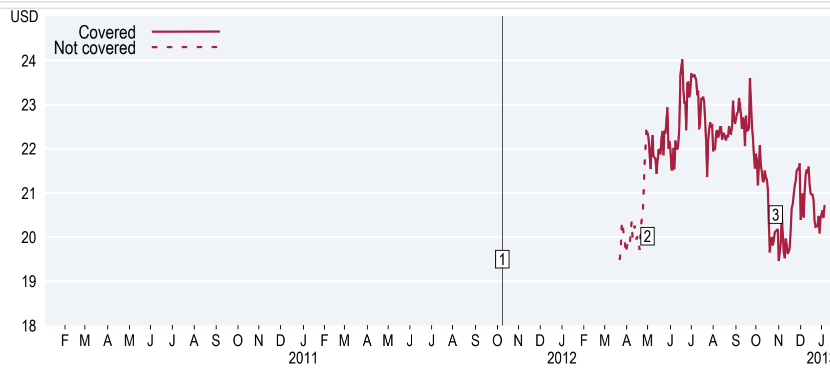
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Vantiv, Inc. (VNTV)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA
Covered since May 1 2012



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	1-May-12	*2	*24.00	22.35
3	29-Oct-12	*1	24.00	20.11

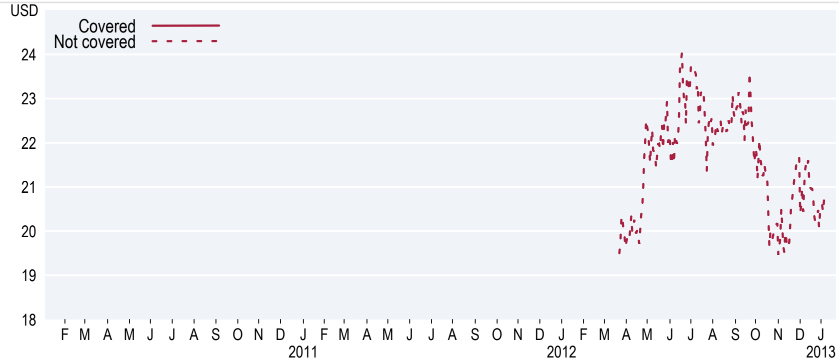
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Vantiv, Inc. (VNTV)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA
Covered since May 1 2012



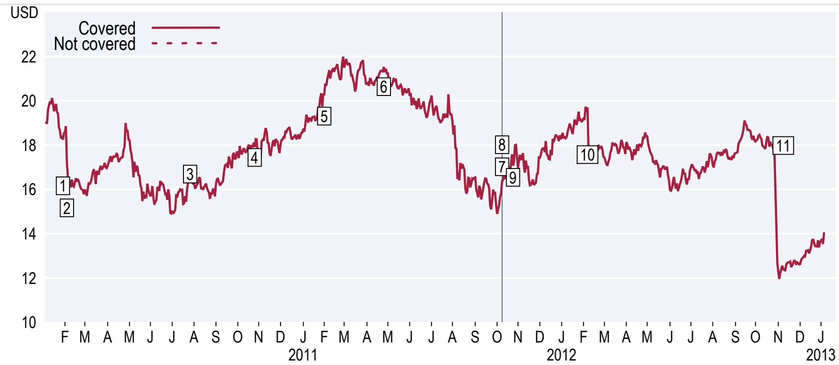
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Western Union Co. (WU)

Ratings and Target Price History
Fundamental Research

Analyst: Ashwin Shirvaikar, CFA



	Date	Rating	Target Price	Closing Price
1	28-Jan-10	1M	*25.00	18.25
2	3-Feb-10	1M	*23.00	17.17
3	27-Jul-10	1M	*22.00	16.69
4	26-Oct-10	1M	*23.00	17.91

	Date	Rating	Target Price	Closing Price
5	1-Feb-11	1M	*25.00	20.29
6	26-Apr-11	1M	*26.00	21.53
7	8-Oct-11	Stock rating system changed		
8	8-Oct-11	*1	26.00	15.82

	Date	Rating	Target Price	Closing Price
9	25-Oct-11	1	*23.00	17.07
10	7-Feb-12	1	*24.00	19.70
11	8-Nov-12	1	*14.50	12.39

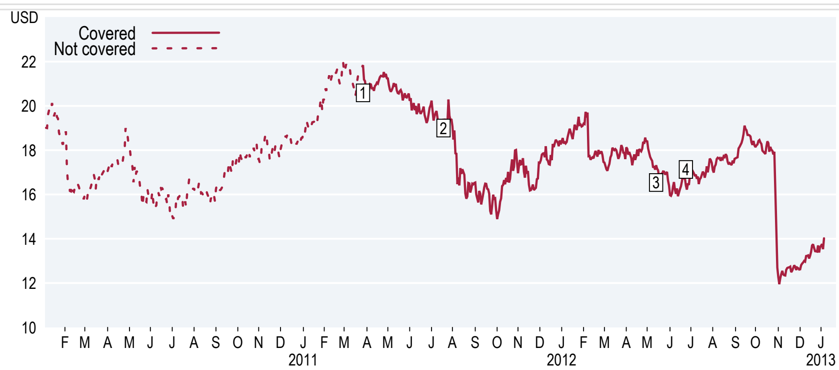
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

Western Union Co. (WU)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Ashwin Shirvaikar, CFA



	Date	Rating	Target Price	Closing Price
1	28-Mar-11	*ADD MP	-	21.84
2	19-Jul-11	*REM MP	-	19.42

	Date	Rating	Target Price	Closing Price
3	14-May-12	*ADD MP	-	17.32
4	25-Jun-12	*REM MP	-	16.40

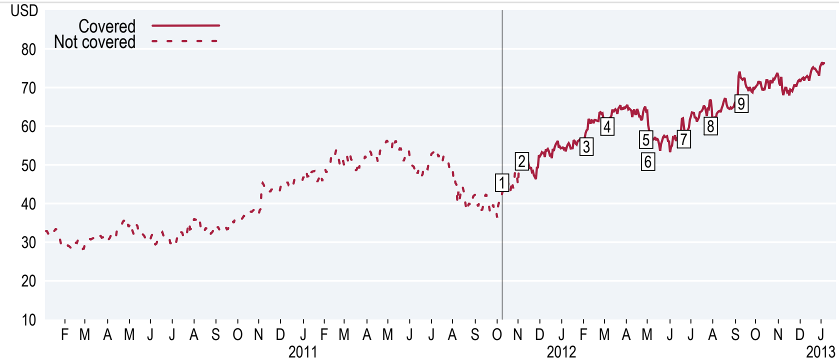
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

WEX Inc (WXS)

Ratings and Target Price History
Fundamental Research

Analyst: Philip Stiller, CFA
Covered since November 7 2011



	Date	Rating	Target Price	Closing Price
1	8-Oct-11	Stock rating system changed		
2	7-Nov-11	*2	*53.00	50.07
3	6-Feb-12	2	*61.00	58.93
4	6-Mar-12	2	*62.00	60.33
5	29-Apr-12	2	*67.00	65.08
6	2-May-12	2	*63.00	60.29
7	21-Jun-12	*3	*56.00	59.79
8	29-Jul-12	3	*57.00	66.64
9	11-Sep-12	3	*66.00	72.31

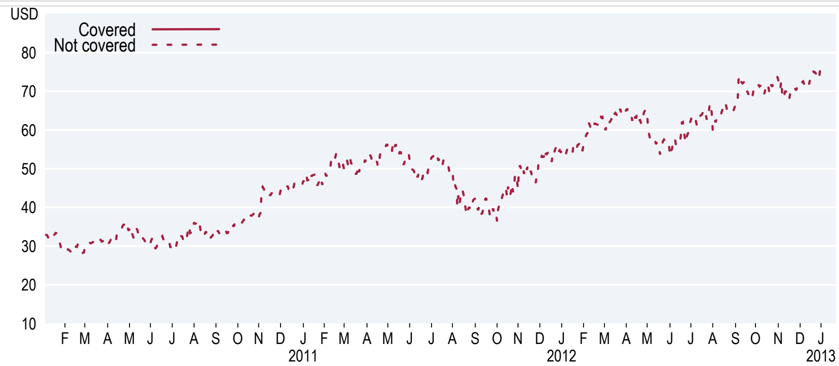
* Indicates change

Rating/target price changes above reflect Eastern Standard Time

WEX Inc (WXS)

Ratings and Target Price History
Best Ideas Research
Relative Call (3 Month)

Analyst: Philip Stiller, CFA
Covered since November 7 2011



* Indicates change

Rating/target price changes above reflect Eastern Standard Time

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	12 Month Rating			***Relative Rating***		
Data current as of 31 Dec 2012	**Buy**	**Hold**	**Sell**	**Buy**	**Hold**	**Sell**
Citi Research Global Fundamental Coverage	49%	38%	12%	7%	86%	7%
% of companies in each rating category that are investment banking clients	53%	49%	45%	60%	49%	55%

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