

# Global Payments (NYSE: GPN)

## Discussion Materials

### Industrials Sector & Software Sector

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#### Industrials Team:

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- 1. Company Overview**
- 2. Industry Overview**
- 3. Investment Thesis**
- 4. Valuation Analysis**
- 5. Potential Risks**

## Global Payments is a leading Business Services Company

### Business Overview

- Provides payment technology and software solutions for card, check, and digital based payments in Europe, the Asia-Pacific region, and the Americas
- Merchant solutions segment offers authorization, settlement and funding, customer support and other enterprise software solutions to help streamline business operations
- Issuer Solutions segment enables financial institutions and retailers to manage card portfolios, commercial payments, account payables, and electronic payment alternative solutions

### Acquisition and Divesting History

#### Acquisitions:

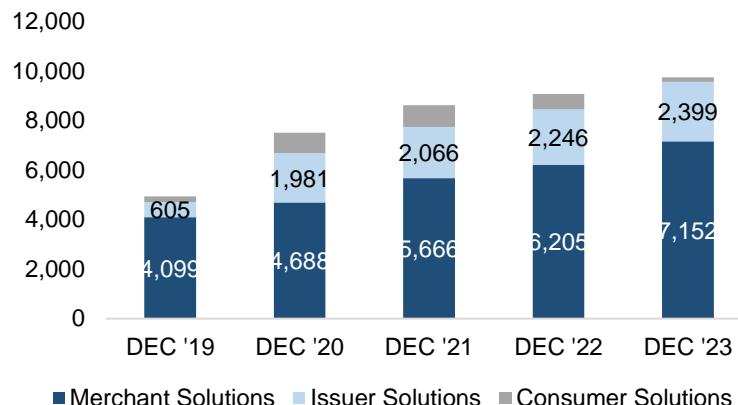
- **EVO Payments** – expansion into B2B payment market, which allows for higher margins and stable revenue
- **MineralTree** – provides invoicing and AP software to **SMBs**, further strengthening their push into the merchant market
- **Takepayments LTD** – GPN gains British/European payments market share

#### Divestitures:

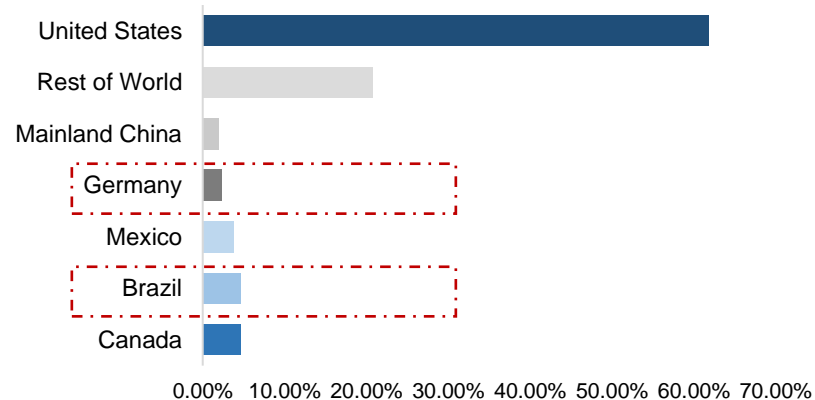
- **Netspend Consumer** – GPN divests debit card business in order to focus on what they are leaders in: payment processing

Source: Company information.

### Revenue by Segment (\$USD bn)



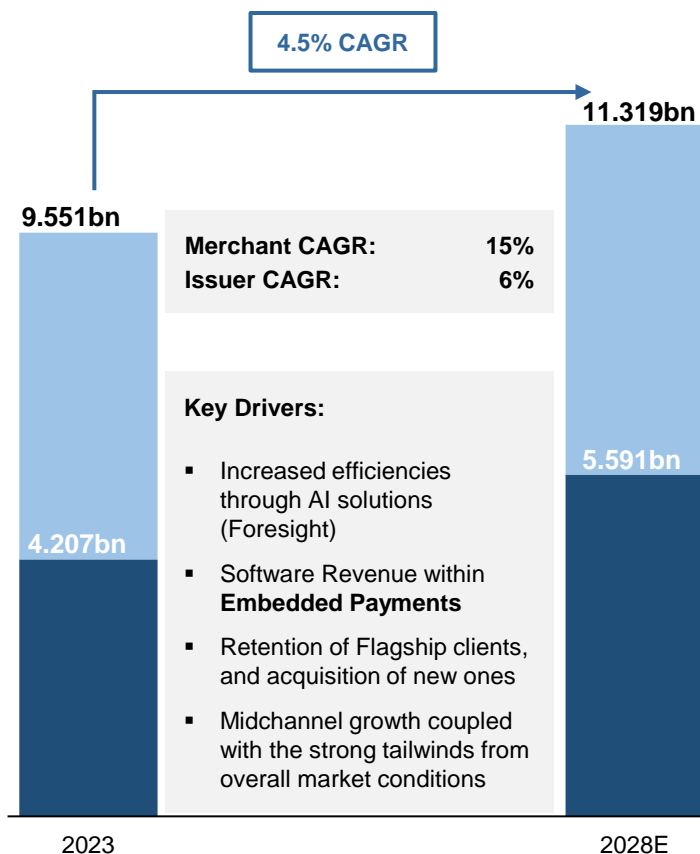
### Revenue By Geography



# Segment Breakdown

EBITDA Margins are expected to grow at strong pace in comparison to past years

## Segmented Revenue Growth (\$USD mm)



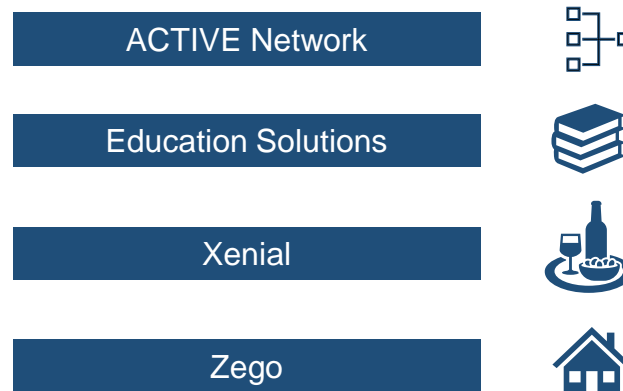
## Key Metrics

15%  
Vertical  
Growth

8%  
Account  
Growth

47%  
EBTIDA  
Margin

## Services Provided



■ EBITDA ■ Revenue

Source: Company information, Market research and BIF estimates.

# Industry Overview

The Digital Payment Industry is expected to grow around a 20% CAGR, primarily fueled by merchant acceptance and the growth of ecommerce

## Global Payment Industry

- Provides financial institution, businesses and consumers with payment processing services, merchant acceptance solutions, and related information and other value-added services
- Industry is growing as credit and debit card usage increases as well as other payment solutions and processing technology becomes more utilized
- Digital payment usage was accelerated by the COVID-19 pandemic and the need for development of technologies and digital based solutions and contactless payment solutions is vital

## Headwinds/Tailwinds

### Tailwinds

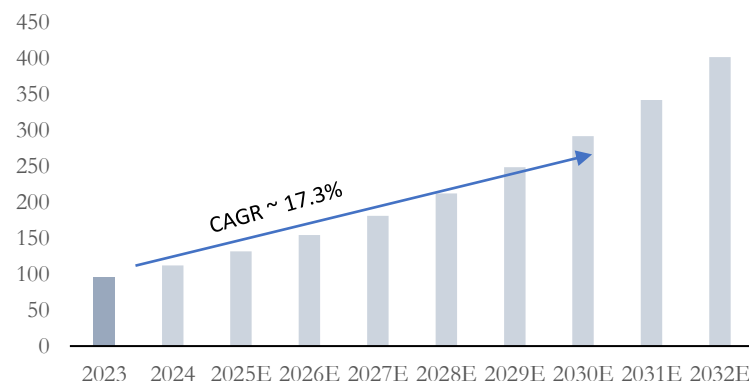
- **Digital Payment Growth:** Digital payment growth will drive revenue with an 11.80% CAGR (2023-2027), reaching US\$14.78 trillion by 2027
- **Cross Border Transactions:** The 8.9% forecasted global e-commerce growth in 2023, with sales reaching \$5.8 trillion, underscores the rising importance of cross-border transactions

Source: Market research.

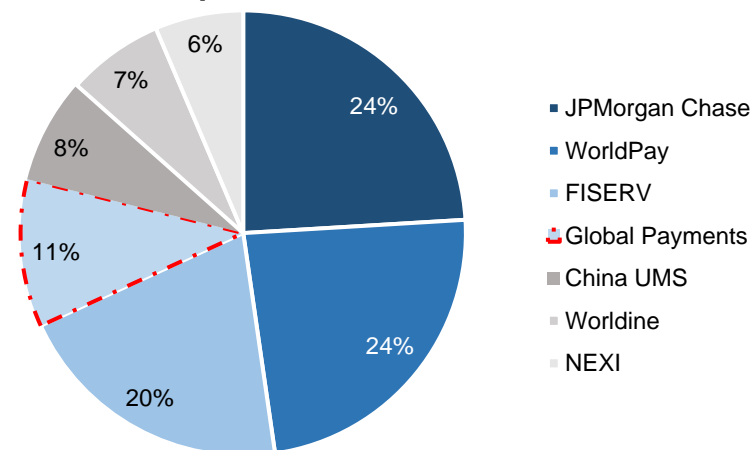
### Headwinds

- **Cyber Security Threat:** The digital nature of their services exposes them to a range of potential breaches
- **Payment Compliance:** Amidst prevailing economic challenges, online payment processes must be navigated securely while complying with regional norms.

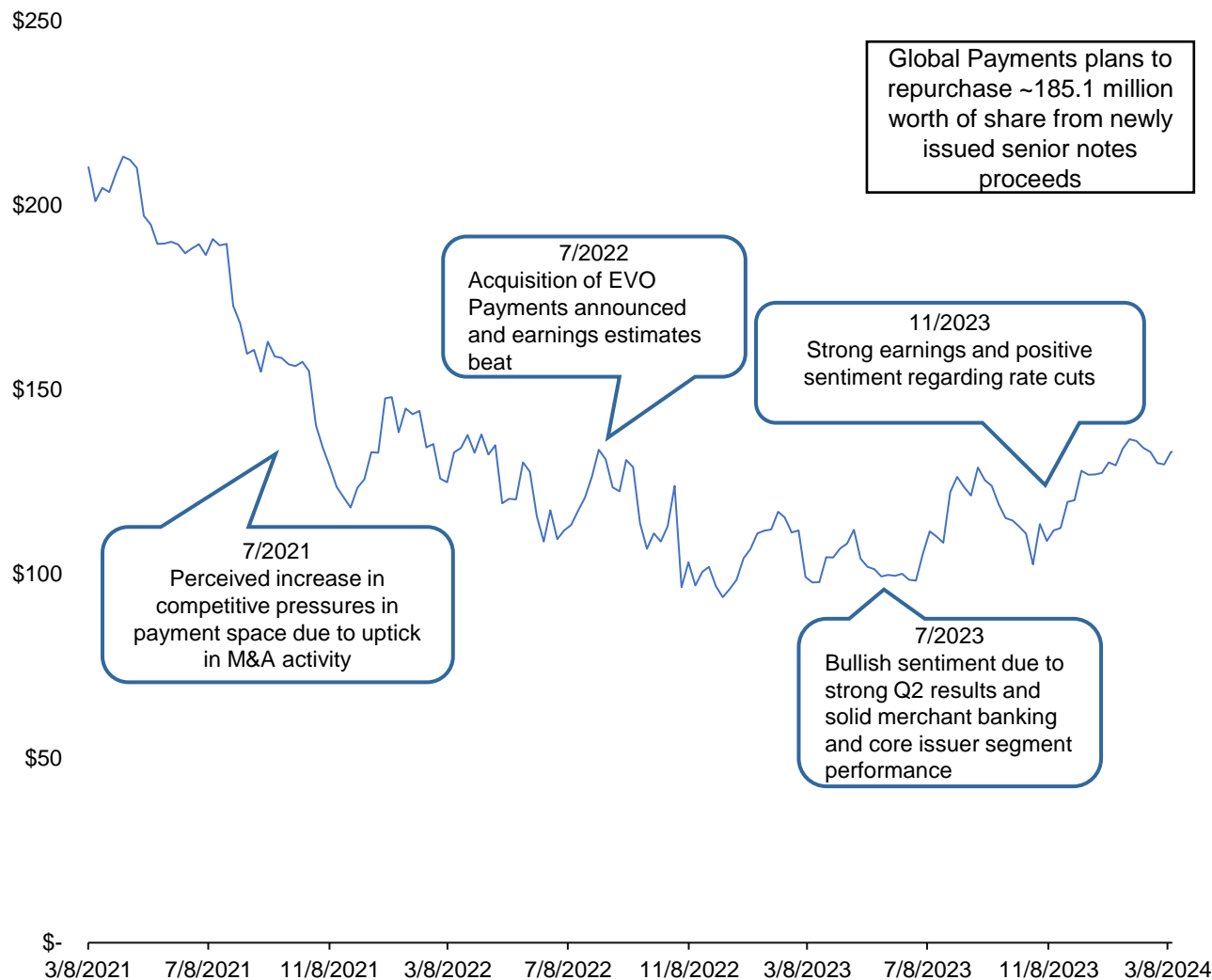
## Projected Industry Growth (Trillions)



## Market Landscape



# Why Now?



Source: Company information, Market research, FactSet and Bloomberg.

## Key Metrics (\$USD mm)

Share Price	\$130.26
52 Week High	\$141.78
52 Week Low	\$94.05
DSO	261.10
Equity Value	\$34,089.04
Plus: Debt	\$17,787.00
Less: Cash	\$2,256.10
Enterprise Value	\$49,619.94

## Trading Multiples

EV/Rev	5.14x
EV/EBITDA	12.05x
EV/ '25E EBITDA	9.87x
EV/EBIT	22.42x
EV/ '25E EBIT	10.99x
2023 P/E	7.38x
2025E P/E	7.37x

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## Global Payments represents a strong opportunity



### Recent Divestitures

- Global Payments has removed a segment of their operations in order to *thrive* in their core competencies



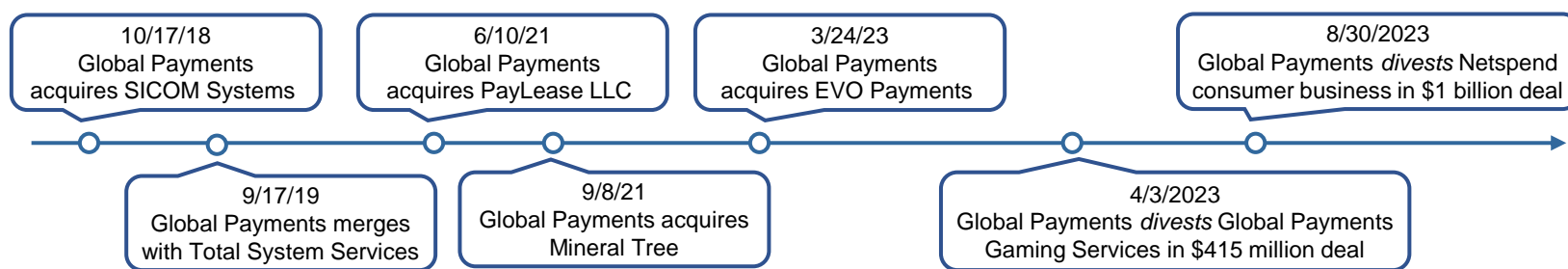
### M&A Activity/Profitability

- Global Payments recently purchased companies to bolster their software servicing and application
- The street has underreacted to the future potential in these spaces

# Recent Divestitures

Global Payments has rid itself of its lower margin segments to focus on core business

## Divestiture Timeline



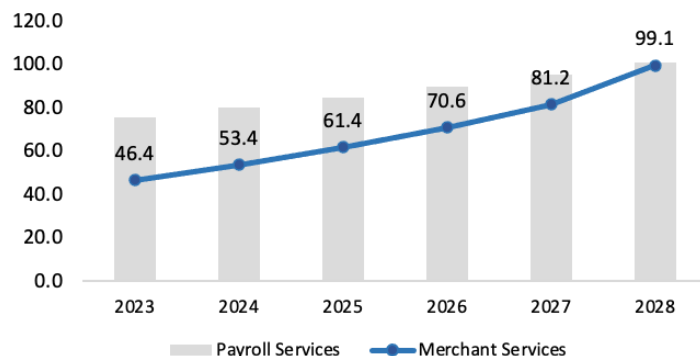
### Software and Payment Processing Investment:

2019: \$21.5 billion

2021: \$1.4 billion

2023: \$4.0 billion

## Merchant and Payroll Service Markets Growth (USD MM)



## Comparable Divestitures

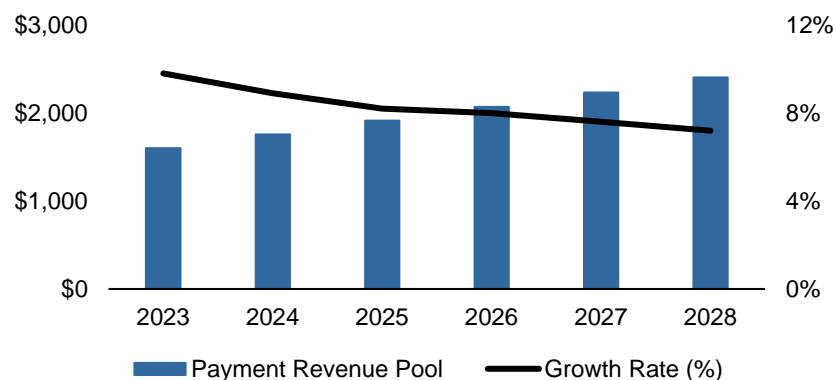
- **FleetCor**– divested its fleet telematics NexTraq business in 2017 to target the global payment space with new acquisitions
  - EPS more than doubled from \$4.75 in 2016 to \$10.05 in 2019, with a 10.5% CAGR in revenue from 2017-2024
- **Modern Times Group** – spun off multiple entertainment and gaming segments in past decade while simultaneously acquiring mobile gaming companies
  - Healthy and significant growth in operating margins and free cash flow generation since 2016
- **Trimble**– divested four businesses in 2021 and 2022 to refocus on digital transportation in the industrial technology space
  - These changes have significantly boosted and will continue to boost Trimble’s top and bottom lines in years to come



# M&A Activity & Margin Improvement

**Global Payments still expects significant accretion from multiple recent acquisitions, with more strategic plans in the future on a consistent basis**

## Global Total Payment Revenue (\$Bn)

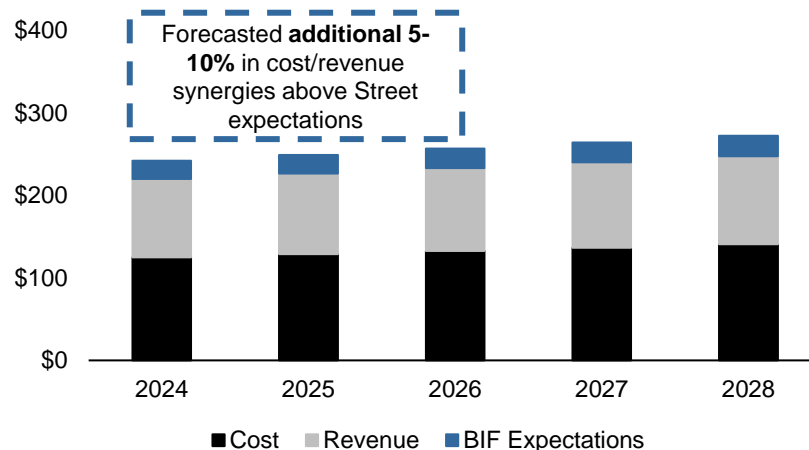


## Effects on Global Payment

### EVO Payments

- Brings hundreds of thousands of new merchants and hundreds more financial institutions onto GPN's platform, enabling GPN to take higher fees from the average transaction, and EVO's high tech AR automation will entice more SMBs to follow
- EVO acquisition also allows GPN to be a larger player in the German payments market, and as the German economy continues to recover from high rates, there will be more spending and more transaction fees will go to GP
- EBITDA synergies of 125 Mn

## Expected Synergies (vs our Expectations \$mm)



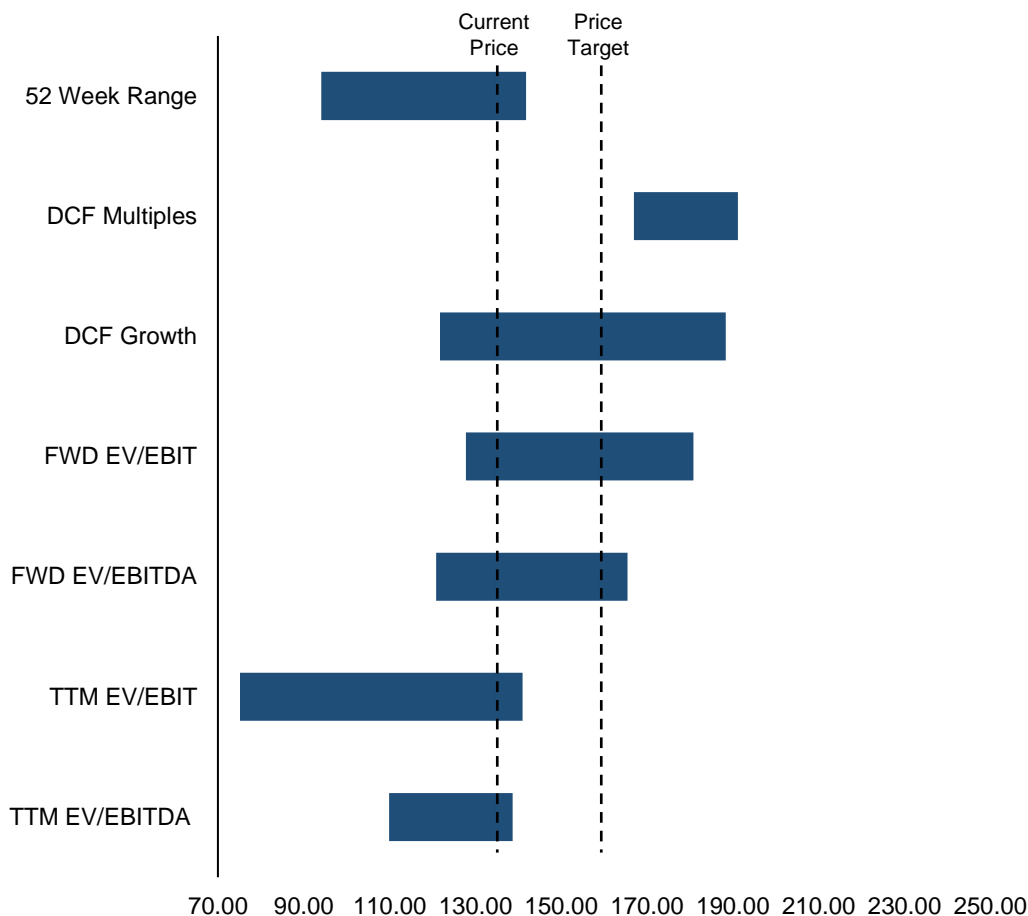
### Mineral Tree

- Perfectly complements the EVO acquisition's AR automation by providing leading AP automation and helps GPN to provide more holistic SMB management product for their customers
- Helps further their goals of penetrating the merchant market and turning themselves into a higher margin, less consumer- transaction focused firm

### Takepayments

- Enables GPN to grow their presence in the European/British SMB and retailer market and derive higher fees % from a larger and more international customer base

**Preliminary analysis suggests that a price target of ~\$165; representing a ~25% premium to current share price; is a fair valuation of Spotify stock**

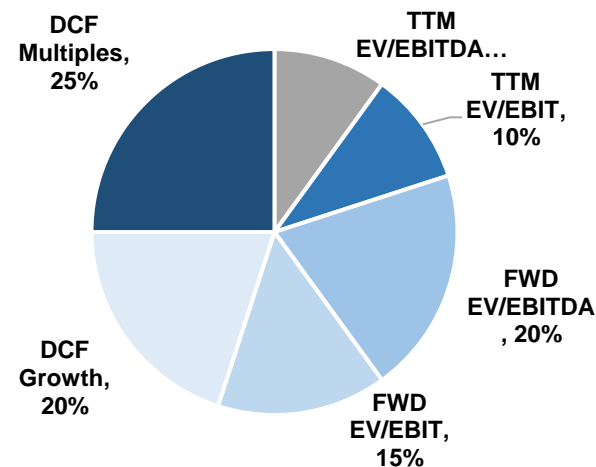


Source: BIF estimates.

## Assumptions (\$USD mm)

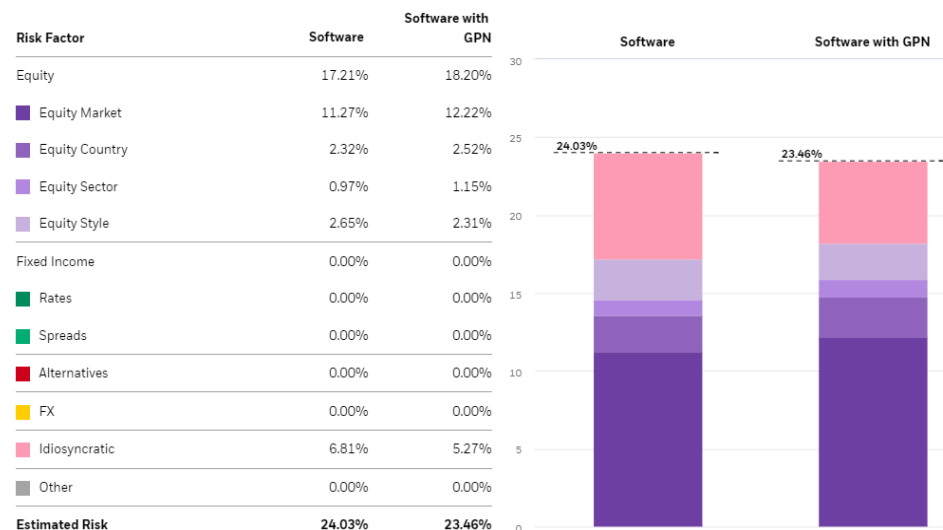
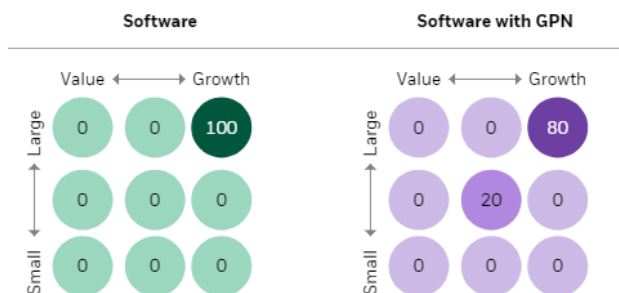
WACC	9.70%
EBITDA Multiple	12.59x
Beta	1.32
'23 EBITDA	\$4,207
'25 EBITDA	\$5,025

## Valuation Weightings

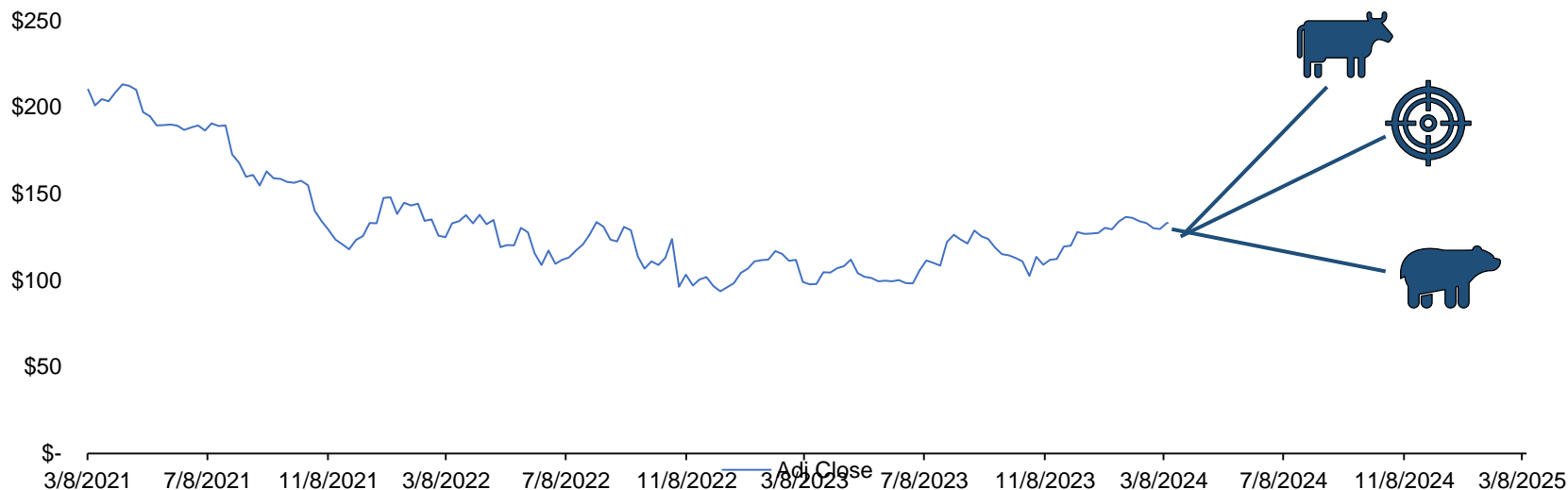


# Aladdin Analysis

Global Payments not only Diversifies the Blend of Software, but also *decrease the overall risk of Software*



# Investment Analysis



## Bear Case

### Bear Case: \$110

- Synergies not accreted as expected
- Interest rates don't decrease until 2025 and possibly are raised
- Divestiture is inefficient



## Base Case

### Base Case: \$165

- Synergies realized greater than expected
- Interest rate decrease in future, increasing spending
- Divestiture improves margins



## Bull Case

### Bull Case: \$190

- Major growth from expansion into AP & AR Automation
- Increased M&A activity in space positions GPN well

**Questions?**