

Global Payments Inc. (GPN)

Value Fit 6 / 10

University of Wisconsin–Milwaukee | Lubar College of Business | Investment Management Certificate Program

Analyst:

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Recommendation: **BUY**

Philosophy Fit

3 / 5

As of:

10/06/2026

WISCONSIN VALUE FUND LENS — Maximize return by buying improving companies at reasonable valuations.

Performance level — ROIC (FY2026E) vs. ke

4.5% vs 10.9% → Below ke

Change in performance — ΔROIC

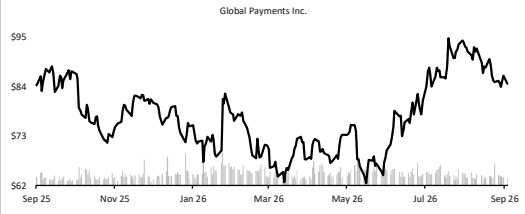
0.0 pts, FY2026E vs FY2025A → Flat by construction

Lifecycle phase

Phase I — lowest expectations

Valuation gap — target vs. price

-10.3% → Price above our value



BUSINESS DESCRIPTION

Global Payments, Inc. engages in the provision of payment technology and software solutions. It operates through the Merchant Solutions and Issuer Solutions segments. The Merchant Solutions segment offers payment technology and software solutions globally, primarily to small and medium-sized businesses, as well as select mid-market and enterprise customers. The Issuer Solutions segment provides comprehensive commerce solutions that support the payment ecosystem for issuers. The company was founded by George W. Thorpe in 1967 and is headquartered in Atlanta, GA.

INVESTMENT THESIS

GPN is now a pure merchant acquirer after the Worldpay purchase and the Issuer Solutions sale, and at 19.1x trailing earnings and 0.89x book it trades below peers. Deutsche Bank sees normalized revenue growth reaching about 4.5% in the second half of 2026, led by Enterprise bookings up about 10% year to date and the Genius rollout, with \$4.0 to \$4.5 billion of capital returns planned for FY2027. The model does not yet show value creation: ROIC of 4.5% sits well below a 10.9% cost of equity, so we hold until integration costs fall and returns improve.

MARKET SNAPSHOT

Current Price	\$84.70	Market Cap (\$B)	\$22.4	Beta	1.19
52-Week Range	\$62 – \$95	Inst. Ownership	93.1%	Insider Own.	17.3%
Shares Out. (mm)	241.6	Short Interest (% float)	7.4%	Dividend Yield	1.2%
Consensus L-T Growth	11.3%	Payout Ratio	31.4%	Cost of Equity	10.9%
Price Target	\$76.00	Upside to Target	(10.3%)	Value Range	\$73 – \$529

VALUATION SUMMARY — equity DCF, FCFE discounted at ke

Method	Value / Share	Upside	Terminal Assumption
Equity DCF – terminal P/E	\$191.00	125.5%	20.3x P/E
Equity DCF – terminal P/S	\$79.28	(6.4%)	1.5x P/S
Equity DCF – terminal P/B	\$528.54	524.0%	4.5x P/B
Equity DCF – constant growth	\$72.87	(14.0%)	2.0% g, 10.9% ke
Average of methods	\$217.92	157.3%	Equal-weighted
Analyst price target	\$76.00	(10.3%)	Blue = analyst override

PHILOSOPHY FIT — Five pillars

Score: 3 / 5

		Fit?
1. Fundamental improvement & valuation discipline	ΔROIC 0.0 pts; price is 0.39x our average value	No
2. Investing through company cycles	Phase I; EBIT margin 28.7% → 28.7%	Yes
3. Initial position sizing & risk limits	Starter half position at entry; add only if ROIC gap narrows	Yes
4. Capital allocation discipline	Net debt/invested capital 27.9%; net debt/EBIT 6.1x	No
5. Identifiable catalysts & conservative underwriting	Catalysts: Genius, Enterprise go-lives, FY2027 FCF step-up	Yes

VALUE CRITERIA — 10-Point Checklist

Score: 6 / 10

		Pass?
1. Catalyst / Investment Drivers		Yes
Driver 1: Enterprise Growth	Enterprise bookings are up about 10% year to date and only part of recent wins is live, with more go-lives through the second half of 2026. Deutsche Bank expects normalized Enterprise growth in the high single digits to low double digits, helped by faster card-not-present volume and value-added services. Monitor: Enterprise go-lives.	
Driver 2: Genius POS in SMB	Genius is now offered as a full platform through banks, ISOs and direct sales, and adopters show about 30% higher revenue per merchant (Deutsche Bank, 10 September 2026). Adoption comes mostly from new merchants, so gains should build gradually against weak UK SMB demand. Monitor: Genius adoption and SMB growth.	
Driver 3: FCF & Capital Returns	Management reiterated \$4.0 to \$4.5 billion of capital returns in FY2027 as integration and separation cash costs fall. The model is less clean: it adds \$24.6 billion of net fixed assets in FY2026E, which forces a modeled equity issuance and lifts the share count to 351.4mm. Monitor: FCF conversion and net debt to EBIT of 6.1x.	
What does management say?	Management guided to about 4.5% normalized revenue growth in the second half of 2026, a little below that in the third quarter and slightly above it in the fourth. Segment contribution margins should be flat to down as savings are reinvested, with company margin gains coming from Worldpay synergies in Corporate and Other (Deutsche Bank, 10 September 2026).	

2. Low P/E Ratio

Yes

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
EPS (model)	\$3.78	\$5.05	\$4.44	\$9.38	\$11.79	\$15.15
P/E at current price	22.4x	16.8x	19.1x	9.0x	7.2x	5.6x
Peer median P/E (FactSet, subject excl.)	20.9x	FY2026E P/E vs. peer median		(57%)		

3. Low Price / Cash Flow

No

FCFE / share	\$1.78	\$10.41	\$26.96	-\$26.84	\$1.68	\$2.25
Price / FCFE	47.6x	8.1x	3.1x	NM	50.5x	37.7x
Peer median P/CF (FactSet, subject excl.)	10.3x	Price / FCFE (today) vs. peer median		(70%)		

4. Low Price / Book Value

Yes

	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E
Book value / share	\$88.08	\$87.62	\$94.72	\$100.30	\$112.30	\$121.51
Price / Book	1.0x	1.0x	0.9x	0.8x	0.8x	0.7x
ROE (EOY book)	4.3%	5.8%	4.7%	9.4%	10.5%	6.2%
Peer median P/B (FactSet, subject excl.)	4.6x	Price / book (today) vs. peer median		(81%)		

Global Payments Inc. (GPN) — Value Criteria, continued

5. Financial Soundness							No
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Total debt (\$mm)	17,787	16,991	22,171	34,395	36,092	37,775	
Net debt (\$mm)	15,531	14,437	13,458	24,889	26,438	27,974	
Total debt / equity (gross)	77.3%	76.3%	96.9%	97.6%	97.6%	97.7%	
Total debt / assets (gross)	35.2%	36.2%	41.6%	42.4%	42.5%	42.5%	
Net debt / invested capital	35.2%	34.2%	27.9%	34.2%	34.7%	35.1%	
Net debt / EBIT	7.0x	7.2x	6.1x	7.0x	7.1x	7.2x	
Tax rate	20.0%	Book equity (\$mm)		22,889	Net debt/EBIT 6.1x to 7.0x		
6. Positive Earnings Dynamics							Yes
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	
Sales growth	7.6%	4.7%	(23.7%)	60.3%	5.2%	4.9%	
EBIT margin	22.9%	19.9%	28.7%	28.7%	28.7%	28.7%	
EPS growth	832.2%	33.8%	(12.2%)	111.4%	25.7%	28.5%	
7. Business Strategy & Segment Mix							Yes
Strategy	A pure merchant acquirer after the Worldpay purchase and the Issuer Solutions sale. The strategy leads with software, using Genius POS and Payrix to own merchant workflows, and bundles software, hardware and payments into one price.						
	New segments: Enterprise, SMB, Platforms and Other. Enterprise is the main growth driver; Platforms should grow in the high single digits and SMB in the mid single digits, while Other is a runoff book declining in the double digits (Deutsche Bank, 10 September 2026).						
Segment / geography mix							
8. Capable Management & Insider Ownership							Yes
Insider ownership	17.3%	Inst. ownership		93.1%	Buybacks, % of NOPAT (FY1E)		(327.9%)
Insider activity / governance	Insider ownership is 17.3% and institutions hold 93.1%. Management is running an aggressive transformation, including a workforce reduction of about 4,000 this year.						
9. Valuation — Value Creation (ROIC vs. ke)							No
ROIC (FY1E)	4.5%	Cost of equity (ke)		10.9%	EVA spread (ROIC – ke)		(6.4%)
Price target / upside	\$76.00	(10.3%)		Value / share range (low–high)		\$73 – \$529	
10. Uses of Capital — allocation discipline							No
Reinvestment of 841% of NOPAT in FY2026E is the modeled Worldpay asset step-up; returns of \$4.0 to \$4.5 billion are guided for FY2027.							
VALUE FIT SCORE — criteria met							6 / 10

FINANCIAL SUMMARY (\$mm except per share)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	CAGR 2023–2028
Sales	9,654	10,106	7,706	12,356	13,001	13,642	7.2%
Gross margin	61.4%	56.4%	72.6%	72.6%	72.6%	72.6%	3.4%
EBIT	2,213	2,010	2,209	3,543	3,728	3,911	12.1%
Net income	986	1,285	1,073	3,298	3,882	4,538	35.7%
EPS (basic)	\$3.78	\$5.05	\$4.44	\$9.38	\$11.79	\$15.15	32.0%
Dividend / share	\$1.00	\$0.99	\$0.99	\$0.68	\$0.85	\$1.10	
FCFE / share	\$1.78	\$10.41	\$26.96	-\$26.84	\$1.68	\$2.25	4.8%
Invested capital	44,128	42,219	48,206	72,831	76,287	79,715	12.6%
ROIC	4.3%	4.3%	4.5%	4.5%	4.5%	4.5%	
NOPAT margin	18.8%	16.7%	22.9%	22.9%	22.9%	22.9%	
Sales / NWC	-15.46x	-8.46x	-6.20x	-6.20x	-6.20x	-6.20x	
Sales / NFA	0.23x	0.25x	0.19x	0.19x	0.19x	0.19x	
Sales / invested capital (ex cash)	0.23x	0.25x	0.20x	0.20x	0.20x	0.20x	

USES OF CAPITAL — full range, as % of cash generated (NOPAT)							
	FY2023A	FY2024A	FY2025A	FY2026E	FY2027E	FY2028E	Avg 2023–2028
NOPAT before reinvestment (\$mm)	1,818	1,693	1,768	2,835	2,984	3,130	
Uses, as % of NOPAT							
CapEx & acquisitions (Δ NFA)	220.1%	(96.7%)	(7.0%)	867.0%	114.4%	108.1%	201.0%
Working capital (Δ NWC)	6.0%	(33.6%)	(2.8%)	(26.5%)	(3.5%)	(3.3%)	(10.6%)
Dividends	14.3%	14.9%	13.5%	8.4%	9.4%	10.5%	11.8%
Share buybacks	1.7%	103.4%	12.8%	(327.9%)	63.2%	80.1%	(11.1%)
Debt repaid (neg. = borrowing)	(168.4%)	47.0%	(292.9%)	(431.1%)	(56.9%)	(53.8%)	(159.4%)
Cash & securities build	6.1%	17.6%	348.3%	28.0%	4.9%	4.7%	68.3%
Interest & other (residual)	20.2%	47.4%	28.1%	(17.8%)	(31.6%)	(46.4%)	(0.0%)
Total uses of capital	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Discipline — reinvestment, % of NOPAT	226.1%	(130.4%)	(9.7%)	840.5%	110.9%	104.8%	190.4%
Dividends + buybacks, % of NOPAT	16.0%	118.4%	26.3%	(319.5%)	72.6%	90.6%	0.7%

Framework: the full range of capital allocation — CapEx/R&D/brand, dividends, buybacks, cash and debt. Cautious at the top of the cycle; invest for the future at the bottom, without over-levering. Total ties to 100% by construction, with interest and unallocated items in the residual.

COMPS OVERVIEW (current multiples, FactSet)						
Ticker	Company	P/E	P/S	P/B	P/CF	EV/EBIT
FIS	Fidelity National Information Services, Inc.	5.3x	1.5x	1.1x	5.7x	19.4x
PYPL	PayPal Holdings, Inc.	10.3x	1.4x	2.4x	6.4x	8.8x
CPAY	Corpay, Inc.	24.1x	5.2x	7.3x	14.2x	10.9x
FOUR	Shift4 Payments, Inc. Class A	59.6x	0.6x	4.8x	5.0x	24.5x
WEX	WEX Inc.	17.6x	2.2x	4.5x	23.5x	6.2x
TOST	Toast, Inc. Class A	38.8x	2.6x	8.6x	28.2x	64.1x
Median	Peer median (subject excluded)	20.9x	1.8x	4.6x	10.3x	15.1x
GPN	Subject, at current price	19.1x	2.7x	0.9x	3.1x	15.4x
Premium / (discount) to peer median		(9%)	+45%	(81%)	(70%)	+1%

Peer set from AutoTearSheet-5Page/DI4:DI9. Median is of peers only and excludes blanks.

KEY RISKS	
1.	Integration and synergy delivery. Margin gains depend on Worldpay synergies in Corporate and Other while segment margins stay flat to down; a miss leaves net debt near 7.0x EBIT. Watch synergy updates and free cash flow each quarter.
2.	SMB demand and competition. Weak UK SMB demand and an intensely competitive acquiring market could slow Genius adoption, which still comes mostly from new merchants. Watch SMB growth against the mid single digit outlook.
3.	The model overstates the upside. The average value of \$218 leans on a 4.5x terminal P/B against a goodwill-heavy book and a shrinking modeled share count; the constant-growth case of \$73 is -14.0% from here.
Exit discipline: sell if normalized revenue growth runs below 3% in the second half of 2026, if FY2027 capital returns fall short of \$4.0 billion, or if net debt to EBIT rises above 7.5x without a path down.	