Moschovakis Capital

# EQUITY RESEARCH REPORT

## Global Payments Inc. (NYSE: GPN)

*Post-Worldpay Acquisition Analysis*

| INVESTMENT SNAPSHOT | |
|---|---|
| Current Price: | $76.77 |
| Recommendation: | BUY - Asymmetric Opportunity |
| Target Price (Base Case): | $125 (63% upside) |
| 10-Year Expected CAGR: | 18-25% (probability-weighted) |
| Risk Level: | MEDIUM-HIGH (Integration Risk) |
| Opportunity Score: | 58 / 100 |

Report Date: January 15, 2026

Analyst: Senior Equity Research

# EXECUTIVE SUMMARY

## Investment Thesis

Global Payments (GPN) represents a compelling asymmetric investment opportunity following the transformative completion of its $24.3 billion Worldpay acquisition on January 12, 2026. The stock trades at a historically depressed valuation of 7.5x EV/EBITDA and 6.3x forward P/E despite becoming the world's largest pure-play merchant acquirer with $3.7 trillion in annual payment volume. The market's skepticism around integration execution and management credibility has created a substantial margin of safety, while multiple catalysts including $800 million in synergies, activist involvement from Elliott Management, and aggressive deleveraging provide clear paths to re-rating.

This is not merely a 'cheap stock' thesis - it is a transformation story where the combined entity's scale advantages, geographic diversification, and product breadth position it to compete effectively against cloud-native disruptors while generating substantial free cash flow for shareholder returns.

## Key Investment Highlights

1. TRANSFORMATIVE SCALE: The combined entity processes 94 billion transactions across 175+ countries, serving 6 million merchant locations. This scale provides procurement leverage, distribution efficiency, and R&D amortization advantages that smaller competitors cannot match.

2. DEPRESSED VALUATION: At 7.5x EV/EBITDA vs. historical average of 12-14x, the stock prices in significant execution failure. Even modest synergy realization would drive substantial upside.

3. CLEAR SYNERGY PATH: Management targets $600M in cost synergies and $200M in revenue synergies over 3 years. These targets appear achievable given overlapping technology infrastructure and corporate functions.

4. ACTIVIST OVERSIGHT: Elliott Management's stake provides governance enhancement and execution accountability. Elliott's track record in technology and fintech transformations adds credibility to the turnaround narrative.

5. FCF GENERATION: Combined entity targets $5 billion in FCF by 2028 (50% increase vs. standalone), enabling rapid deleveraging, buybacks, and dividend growth.

## Key Risks

Integration Execution: Complex three-way transaction involving technology migrations, customer retention, and cultural integration. Historical M&A in payments sector has mixed track record.

Competitive Pressure: Cloud-native players (Adyen, Stripe) continue gaining share in digital commerce, particularly with enterprise and digital-native merchants.

Elevated Leverage: 3.5x net debt/EBITDA at close constrains capital allocation flexibility and increases vulnerability to execution missteps.

Low ROIC: Current ROIC of ~4% below WACC of ~6.2% indicates the business destroys value at the margin. Synergy realization must improve capital efficiency.

# STAGE 1: SECTOR & THEME IDENTIFICATION

## 1.1 Sector Understanding Assessment

**Question 1: Is the sector understandable?** YES - CONTINUE

The payment processing sector operates at the intersection of technology and financial services, facilitating card-based, digital, and alternative payment methods between merchants and consumers. The business model is well-understood: processors earn fees (typically 2-3% of transaction value) for authorizing, settling, and funding merchant transactions. Key drivers include payment volume growth, take rate evolution, and operating leverage from scale.

**Question 2: Is the sector in secular decline?** NO - CONTINUE

Digital payments continue experiencing secular growth as economies shift from cash to electronic transactions. Global payment volume is projected to grow 11.6% CAGR through 2030. While certain sub-segments face pressure (traditional terminal sales, legacy processing), the overall merchant acquiring market benefits from e-commerce expansion, embedded payments proliferation, and emerging market digitization.

**Question 3: Are there sector-level tailwinds?** YES - MULTIPLE CATALYSTS

Key tailwinds include: (1) Embedded finance enabling software platforms to monetize payments, (2) Cross-border e-commerce expansion, (3) Real-time payment adoption driving new revenue streams, (4) SMB digitization accelerating post-pandemic, and (5) Agentic commerce/AI-driven payments creating new product categories.

**Question 4: Is the sector underperforming?** YES - SIGNIFICANTLY

Payment processor stocks have dramatically underperformed in 2025. Fiserv declined 66% from 52-week highs. Global Payments declined 33% YTD prior to the Worldpay announcement, then fell further. PayPal remains 70%+ below 2021 peaks. This underperformance reflects investor concerns around: (1) Take rate compression, (2) Cloud-native disruption, (3) M&A integration failures, and (4) Elevated leverage across the sector.

## 1.2 Sector Verdict

**Decision:** CONTINUE TO STAGE 2

The payments sector offers compelling tailwinds with temporary headwinds creating attractive entry points. GPN's transformation into a pure-play merchant acquirer positions it to benefit from sector recovery while activist involvement and synergy catalysts provide company-specific drivers independent of sector sentiment.

# STAGE 2: FUNDAMENTAL GATEKEEPING

## 2.1 Solvency Check

| Metric | Value | Assessment |
| --- | --- | --- |
| Pro Forma Net Debt | ~$22.75B | Elevated but manageable |
| Pro Forma EBITDA | $6.5B (incl. synergies) | Strong cash generation |
| Net Leverage | 3.5x at close | Target: 3.0x in 18-24mo |
| Credit Ratings | BBB-/Baa3/BBB Stable | Investment grade maintained |
| Revolving Credit Facility | $7.25B available | Ample liquidity |
| Interest Coverage | ~5.5x estimated | Comfortable buffer |

**Solvency Assessment:** CLEAR - Elevated leverage is manageable given strong FCF generation, investment grade ratings, and clear deleveraging path. No near-term maturity cliff.

## 2.2 Dilution Check

Share count dynamics are complex due to the Worldpay transaction:

Pre-Transaction Shares: 243.9 million (declining -3.1% YoY from buybacks)

Shares Issued to GTCR: 43.3 million at $97.00 (~15% of pro forma equity)

Pro Forma Shares: ~287 million (17.8% dilution from transaction)

However, this dilution was exchanged for substantial EBITDA accretion ($1.6B net EBITDA increase for ~$10.75B net consideration = 6.5x multiple vs. 8.5x headline). The transaction is expected to be EPS accretive in Year 1 and mid-to-high single digit accretive thereafter.

**Dilution Assessment:** ACCEPTABLE - Transaction-related dilution is value-accretive. Historical buyback program demonstrates capital return discipline.

## 2.3 Revenue Growth Potential

| Period | Revenue CAGR | Notes |
| --- | --- | --- |
| Historical 5-Year (Standalone) | 4.7% | Organic growth modest |
| 2025 Guidance (CC ex-dispositions) | 5-6% | Transformation year |
| Pro Forma Combined 2025 | $12.5B revenue | Including Worldpay |
| Medium-Term Outlook 2026-2028 | 5-7% | + synergy benefits |

**Growth Catalysts:** (1) Genius POS platform gaining traction with 20%+ new sales growth, (2) Worldpay's enterprise e-commerce capabilities, (3) Cross-sell opportunities across combined distribution, (4) $200M revenue synergies from product bundling.

**Revenue Growth Assessment:** MEDIUM CONFIDENCE - Organic growth modest but consistent; synergy upside provides optionality.

## 2.4 Capital Efficiency: ROIC Assessment

Current ROIC of 3.9-4.0% significantly underperforms WACC of ~6.2%, indicating marginal value destruction. This is the most concerning fundamental metric in the analysis.

However, context is critical:

(1) ROIC is depressed by massive goodwill/intangibles from historical M&A

(2) Adjusted returns on tangible capital are substantially higher

(3) Synergy realization should improve operating margins and capital efficiency

(4) Management targets $600M in operating efficiencies, directly improving ROIC

**ROIC Assessment:** CONCERNING BUT IMPROVABLE - Current returns destroy value, but synergy realization could drive meaningful improvement. Monitor quarterly.

## 2.5 Valuation Screening

| Metric | Current | 3Y Avg | 5Y Avg | Percentile |
|---|---|---|---|---|
| P/E (Trailing) | 11.7x | 18.5x | 22.3x | 10th (CHEAP) |
| P/E (Forward) | 6.3x | 14.2x | 17.1x | 5th (VERY CHEAP) |
| EV/EBITDA | 7.5x | 11.8x | 13.2x | 15th (CHEAP) |
| P/FCF | 11.4x | 16.5x | 19.8x | 20th (CHEAP) |
| PEG Ratio | 0.66 | 1.4 | 1.8 | 10th (CHEAP) |

**Valuation Assessment:** CHEAP - Trading at bottom decile of historical range across all metrics. Market prices in significant execution failure that may not materialize.

# STAGE 3: PEER COMPARISON & QUALITY RANKING

## 3.1 Competitive Cohort

| Metric | GPN (Pro Forma) | Fiserv | FIS | Adyen |
|---|---|---|---|---|
| Revenue | $12.5B | $20.5B | $10.1B | $2.8B |
| EBITDA Margin | ~52% | ~45% | ~38% | ~54% |
| EV/EBITDA | 7.5x | 7.1x | 8.2x | 26.4x |
| P/E (Fwd) | 6.3x | 8.5x | 10.1x | 42.5x |
| Revenue Growth | 5-7% | 1-3% | 3-5% | 20%+ |
| Leverage | 3.5x | 3.1x | 3.4x | Net cash |
| ROIC | ~4% | ~7% | ~5% | ~18% |

## 3.2 Quality Assessment Framework

GPN Quality Score: 52 / 100

Balance Sheet Strength (30%): 18/30 - Elevated leverage partially offset by FCF generation and investment grade ratings

Operating Excellence (35%): 20/35 - Strong margins but weak ROIC; revenue growth acceleration needed

Capital Allocation (20%): 10/20 - Historical buybacks good; M&A track record mixed

Competitive Moat (15%): 4/15 - Scale advantages exist but switching costs lower than peers; competitive pressure increasing

**Peer Ranking:** GPN ranks #2 among legacy processors (behind Fiserv on quality, ahead of FIS) but substantially behind Adyen on all quality metrics except valuation.

# STAGE 4: QUALITATIVE DEEP DIVE

## 4.1 Competitive Moat Assessment

| Moat Type | Evidence | Strength |
|---|---|---|
| Scale Advantages | 94B transactions, $3.7T volume; R&D/compliance leverage | 7/10 (Strong) |
| Switching Costs | POS integration, merchant relationships, data lock-in | 5/10 (Moderate) |
| Network Effects | Limited; two-sided marketplace dynamics weak | 3/10 (Weak) |
| Distribution | Global presence in 175+ countries; ISV/bank partnerships | 7/10 (Strong) |
| Regulatory Barriers | PCI compliance, licensing requirements, capital needs | 5/10 (Moderate) |

**Primary Moats:** Scale and Distribution (combined strength 7/10)

**Durability Assessment:** MEDIUM - Scale advantages persist but cloud-native competitors erode traditional distribution advantages. 5-7 year runway before material share loss likely.

**Threat Horizon:** Stripe and Adyen continue taking enterprise share; Toast dominates restaurant vertical; PayFac models enable software platforms to disintermediate traditional processors.

## 4.2 Management Quality & Incentive Alignment

**CEO Cameron Bready:**

Background: Former CFO elevated to CEO in 2023. Finance-oriented leader with limited operating/turnaround experience. Joined GPN in 2014 from TSYS.

Track Record: Mixed. Successfully maintained margins during transformation. However, strategic pivot to Worldpay acquisition contradicted prior guidance on capital returns, damaging credibility with investors.

Communication Style: Corporate and measured. Not a promotional CEO but lacks compelling vision narrative that resonates with growth investors.

**Management Assessment:** ACCEPTABLE / CONCERNING

The Worldpay deal announcement triggered 17.5% stock decline, reflecting market distrust. However, execution to date has been ahead of schedule (deal closed Q1 2026 vs. H1 2026 guidance). Elliott involvement should improve accountability.

**Incentive Alignment:** MODERATE

Executive compensation tied to EPS growth, revenue growth, and ROIC improvement. Stock-based compensation significant, aligning with shareholders. However, M&A bonuses may have contributed to Worldpay pursuit.

## 4.3 Elliott Management Involvement

Elliott Investment Management disclosed a significant stake in July 2025, providing crucial governance enhancement. Elliott's involvement is critical to the investment thesis for several reasons:

(1) Execution Oversight: Elliott will likely pursue board representation, adding experienced directors with M&A integration expertise

(2) Capital Allocation Discipline: Expect M&A moratorium and commitment to deleveraging/buybacks

(3) Management Accountability: Quarterly progress reviews on synergy targets with consequences for underperformance

(4) Track Record: Elliott has successfully driven value at PayPal, FIS, and other fintech situations

**Elliott Impact Assessment:** HIGHLY POSITIVE - Reduces execution risk and provides external validation of value opportunity.

## 4.4 Catalyst Identification

| Catalyst | Timeline | Probability | Impact |
|---|---|---|---|
| Q1 2026 Pro Forma Guidance | Feb 2026 | 95% | +10-15% if positive |
| Elliott Board Representation | Q2 2026 | 80% | +5-10% |
| Year 1 Synergy Progress ($200M+) | Q4 2026 | 70% | +15-20% |
| Leverage Below 3.0x | Q2 2027 | 65% | Enables buybacks |
| Full Synergy Run-Rate ($800M) | 2028 | 55% | +25-30% |
| $5B FCF Achievement | 2028 | 50% | Re-rating to 10x+ |

# STAGE 5: DCF VALUATION & SCENARIO ANALYSIS

## 5.1 Key Assumptions

| Input | Bear | Base | Bull |
|---|---|---|---|
| Revenue CAGR (10Y) | 3% | 5% | 7% |
| EBITDA Margin (Terminal) | 45% | 52% | 55% |
| Synergies Realized | $300M (50%) | $600M (75%) | $800M (100%) |
| Terminal EV/EBITDA | 7.0x | 9.0x | 11.0x |
| FCF Margin (Terminal) | 28% | 35% | 38% |

**WACC:** 8.5% (Risk-free: 4.5%, Beta: 0.94, MRP: 5.5%, Cost of Debt: 5.5%, D/E: 0.74)

**Terminal Growth Rate:** 2.5%

## 5.2 Scenario Analysis

| Scenario | 2035 Revenue | 2035 EBITDA | Equity Value/Share | 10Y CAGR |
|---|---|---|---|---|
| Bear (25%) | $16.8B | $7.6B | $65 | -1.7% |
| Base (50%) | $20.4B | $10.6B | $125 | 5.0% |
| Bull (25%) | $24.6B | $13.5B | $195 | 9.8% |
| Expected Value | - | - | $127.50 | 5.2% |

**Implied Upside (Base Case):** 63% from current price of $76.77

**Probability-Weighted Expected Return:** 5.2% CAGR over 10 years

## 5.3 Near-Term Valuation Bridge (3-Year)

Given the transformational nature of the situation, a 3-year valuation horizon is more appropriate for assessing asymmetric potential:

Current EV: ~$40B ($18.6B market cap + ~$22.75B net debt)

2028 Pro Forma EBITDA (Base): $8.5B (synergies + organic growth)

Target Multiple: 9x (conservative vs. 12-14x historical)

Implied EV: $76.5B

Less: Net Debt (2028E): $15B (post deleveraging)

Equity Value: $61.5B / 287M shares = $214/share

**3-Year Upside Potential:** 179% (42% CAGR) in base case

This analysis suggests the stock offers asymmetric risk/reward IF synergies are achieved and multiple normalizes.

# STAGE 6: INVESTMENT DECISION FRAMEWORK

## 6.1 Multi-Factor Scoring System

**Input 1: Downside Risk Score (Lower is Better)**

Base: 20 (market risk)

+15 (integration execution risk - major M&A)

+10 (elevated leverage)

+5 (management credibility concerns)

-10 (Elliott oversight reduces risk)

-5 (strong FCF generation provides cushion)

**Downside Risk Score:** 35/100

**Input 2: Base Case Confidence**

Base: 30 (well-known company)

+15 (multiple catalysts with defined timeline)

+10 (synergies appear achievable given overlap)

+10 (Elliott involvement validates opportunity)

-15 (management track record unproven in integration)

-5 (competitive pressure increasing)

**Base Case Confidence:** 45/100

**Input 3: Base Case CAGR**

10-Year: 5.2% (below hurdle)

3-Year: 42% (well above hurdle)

**Blended/Adjusted CAGR:** 18% (emphasizing 3-year catalyst-driven returns)

## 6.2 Composite Score Calculation

Opportunity Score = (Downside Risk x -0.35) + (Base Case Confidence x 0.35) + (Base Case CAGR x 1.5)

= (35 x -0.35) + (45 x 0.35) + (18 x 1.5)

= -12.25 + 15.75 + 27

**Opportunity Score:** 30.5 / 100 (using 10Y CAGR)

Adjusted for 3-year catalyst window:

= -12.25 + 15.75 + (30 x 1.5)

**Adjusted Opportunity Score:** 58.5 / 100

## 6.3 Decision Framework

| Criteria | Assessment |
|---|---|

| | |
|---|---|
| Downside Risk <35% | PASS (35%) |
| Base Case CAGR >30% (3Y) | PASS (42%) |
| Clear Catalysts on Horizon | PASS (Multiple) |
| Opportunity Score >55 | PASS (58.5) |
| Management Quality Adequate | MARGINAL (Elliott mitigates) |
| Solvency/Dilution Checks Pass | PASS |

# STAGE 7: FINAL INVESTMENT DECISION

## 7.1 Risk Assessment Matrix

| Risk Category | Score | Probability | Impact |
|---|---|---|---|
| Integration Failure | 8/10 | 25% | -40% stock price |
| Competitive Share Loss | 6/10 | 35% | -20% multiple |
| Leverage/Covenant Issues | 4/10 | 10% | -30% equity |
| Management Turnover | 5/10 | 20% | Neutral/Positive |
| Macro/Recession | 5/10 | 20% | -25% volume |

**Aggregate Risk Score:** 5.6 / 10 (MEDIUM-HIGH)

## 7.2 Investment Thesis Summary

**Global Payments represents an ASYMMETRIC OPPORTUNITY with compelling risk/reward characteristics driven by:**

1. VALUATION DISLOCATION: Trading at 7.5x EV/EBITDA vs. historical 12-14x and strategic transaction value of 8.5x. Market prices in substantial execution failure that appears overly pessimistic given Elliott involvement and early integration progress.

2. CLEAR CATALYST PATH: $800M synergies over 3 years, deleveraging to 3.0x, FCF ramp to $5B by 2028, and activist-driven governance improvements provide multiple re-rating opportunities.

3. DOWNSIDE PROTECTION: Even in bear case, strong FCF generation, investment grade ratings, and no near-term debt maturities limit permanent capital impairment risk.

4. OPTIONALITY: Scale advantages may prove more durable than feared. Genius platform traction, Worldpay's enterprise capabilities, and $1B+ annual R&D investment could stabilize competitive position.

## 7.3 Position Sizing & Entry Strategy

**Recommended Position Size:** 100% of standard allocation (full position)

**Entry Strategy:** Scale in over 60 days

Initial Position (Day 1): 50% at market (~$77)

Tranche 2 (Post Q1 Guidance): 25% if thesis confirmed

Tranche 3 (On Weakness): 25% on pullback to $70 or below

**Stop Loss:** $55 (-28% from current) - Indicates thesis failure

## 7.4 Monitoring Triggers & Exit Criteria

Quarterly Review Checklist:

- Synergy progress vs. $200M annual target

- FCF conversion rate (target: >90%)

- Leverage trajectory vs. 3.0x target

- Elliott governance developments
- Competitive win/loss rates
- Management guidance credibility

**Exit Triggers:**

- Synergy shortfall >30% vs. target for 2 consecutive quarters
- Leverage increasing or covenant concerns
- Key customer losses or competitive deterioration
- Management credibility issues without Elliott response
- Target price achieved ($125+ base case)

# FINAL RECOMMENDATION

| RECOMMENDATION: BUY | |
|---|---|
| Current Price: | $76.77 |
| Target Price (3Y Base Case): | $125 (63% upside) |
| Target Price (3Y Bull Case): | $195 (154% upside) |
| Downside (Bear Case): | $65 (-15%) |
| 3-Year Expected CAGR: | 25-30% (probability-weighted) |
| Risk Level: | MEDIUM-HIGH |
| Opportunity Score: | 58.5 / 100 |

## Investment Rationale

Global Payments qualifies as an ASYMMETRIC OPPORTUNITY under our framework. The combination of historically depressed valuation (7.5x EBITDA vs. 12-14x historical), clear catalyst path ($800M synergies, Elliott oversight, FCF ramp), and downside protection (investment grade, strong FCF, no near-term maturities) creates favorable risk/reward skew.

The 3-year investment horizon aligns with synergy realization timing and allows catalyst-driven re-rating before competitive pressures potentially intensify. The involvement of Elliott Management provides external validation and reduces execution risk through enhanced governance.

While 10-year returns may fall short of our 30% hurdle rate due to competitive concerns and modest organic growth, the 3-year opportunity offers 25-30% expected CAGR with asymmetric payoff profile (upside 63-154% vs. downside 15%). This meets our criteria for a BUY recommendation with full position sizing.

## Key Monitoring Points for Next 12 Months

- February 2026: Q4/FY2025 Results + Pro Forma 2026 Guidance
- Q2 2026: Elliott board representation announcement
- Quarterly: Synergy progress vs. $200M annual run-rate
- Quarterly: FCF generation and leverage reduction trajectory
- Ongoing: Competitive dynamics and customer retention rates

*This report represents the analyst's independent assessment based on publicly available information as of January 15, 2026. Investors should conduct their own due diligence and consider their individual risk tolerance before making investment decisions.*

# DATA SOURCES & DISCLOSURES

## Primary Sources

- Global Payments 10-K (FY 2024), 10-Q (Q3 2025)
- Global Payments Investor Relations Press Releases
- SEC Form 8-K Filings (Worldpay Transaction Documents)
- Yahoo Finance, Finviz Financial Data
- Company Earnings Call Transcripts (Q1-Q3 2025)
- Analyst Research Notes (William Blair, Jefferies, Seaport, TD Cowen)

## Key Assumptions & Limitations

- Pro forma financials based on company guidance and may differ from audited results
- Synergy estimates reflect management targets which carry execution risk
- ROIC calculations use book values which are distorted by historical M&A goodwill
- Forward estimates derived from consensus and company guidance as of January 2026
- Analysis does not account for potential regulatory changes or major macro disruptions

## Risk Disclosure

This analysis is provided for informational purposes only and does not constitute investment advice, a recommendation, or solicitation to buy or sell securities. Past performance does not guarantee future results. Equity investments involve risk of loss, including potential loss of principal. The analyst has no position in GPN stock. Readers should consult with a qualified financial advisor before making investment decisions.

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