Global Payments Bullish Spread Sees Positive Reward/Risk in Shares

Ticker/Price: GPN ($184)

Analysis:

Global Payments (GPN) with 2,700 August $195/$165 bull risk reversals bought today for $3.20 debit and set to be the largest position in open interest for the name. GPN had 325 December $180 calls bought recently as well as some OTM Dec. calls from earlier in the year of note. Shares are clearing the 200-EMA this week and back near the 20-/50-MA bearish cross from March around $195 which also aligns with the low-end of February value. GPN is also well clear of the YTD VWAP as well as VWAP from the February highs and set to resume the strong long-term trend. The $53.92B company trades 23X earnings, 9X sales, and 48X FCF with a small yield. GPN has a strong cash balance and manageable debt while continuing to forecast around $400M in additional synergies from the TSYS deal over the next year. GPN is coming off a strong quarter with trends improving in April and near-term margins far better than the Street was expecting. GPN likely sees trends continue to improve in Q2 amid more physical retail re-opening and potential for higher spending supported by stimulus checks. Longer-term, the company highlighted how many of their SMB clients are using COVID-19 to accelerate plans to move more online. Analysts have an average target for shares of $195. RBC with a $191 PT citing recent trends and its more resilient than expected business model amid a pivot by SMBs toward e-commerce and omni-channel opportunities. CSFB with a $200 PT as the company remains well positioned to benefit from a favorable technology-led mix and they continue to expect a near-term return to M&A via vertical SaaS and/or processing assets. Short interest is 1.8%. Hedge fund ownership fell around 5% in Q1. Lone Pine Capital a notable buyer of another 1.75M shares and now with over 4.95M. In March, a director bought $100,000 in stock at $165.07

Hawk Vision:

Hawk's Perspective: GPN has long been a favorite in payment processor space and continue to favor it, breaking out nicely today.

Confidence Ranking: $$