



Bull Spread Sees Return to New Highs for Global Payments

Ticker/Price: GPN (\$201)

Analysis:

Global Payments (GPN) bullish spread on 5/6 sold 3,000 August \$185 puts to buy the \$210/\$230 call spread for a net credit of \$1.40, the first notable trade in the high-quality operator in some time. GPN still has 1,500 June \$210 calls in open interest from mid-year 2020. Shares put in a hammer reversal yesterday off of the 50% retracement of the rally from the February lows. GPN also held VWAP from the October lows. A move higher targets \$215 and VPOC from April. The \$60.55B company trades 21.8X earnings, 8.16X sales, and 31X cash with a small yield. GPN is coming off of a strong quarter with revenue, margin, and EPS growth despite difficult comps. The company has tailwinds in 2021 from small business spending accelerating and improving conditions in the International markets. GPN also expanded their footprint further this week with a \$925M deal for Zego which adds the real estate market to their portfolio, an ideal target for them as they note it is “sizable, global in scope, fragmented and ripe for further software, digital commerce and payments penetration.” Analysts have an average target for shares of \$217. CSFB raising estimates this week citing strength in their underlying core Merchant business results. Bernstein with a \$214 PT as they see upside from a tactical 2021 recovery trade for a double digit EPS grower at attractive valuation, and likes Global Payments' strong track record for M&A execution. Short interest is 1.3%. Hedge fund ownership fell 1.8% but Alkeon Capital a buyer of 950k shares and Egerton also adding 745k shares. In December, the WSJ reported that FIS and GPN had held late-stage merger talks but negotiations broke down at the last minute. Cowen said that week that a deal between the two makes sense eventually based on synergies, expanded global footprint, significant omni-channel strength, and further improved data and analytics.

Hawk Vision:



Hawk's Perspective: GPN is a high-quality name and back at an attractive level around the 200-MA with plenty of upside into the 2H of the year

Confidence Ranking: \$\$