

Global Payments Inc.

S&P Recommendation **HOLD** ★★☆☆☆

Price
\$42.93 (as of Aug 10, 2012)

12-Mo. Target Price
\$50.00

Investment Style
Mid-Cap Growth

UPDATE: PLEASE SEE THE ANALYST'S LATEST RESEARCH NOTE IN THE COMPANY NEWS SECTION

GICS Sector Information Technology

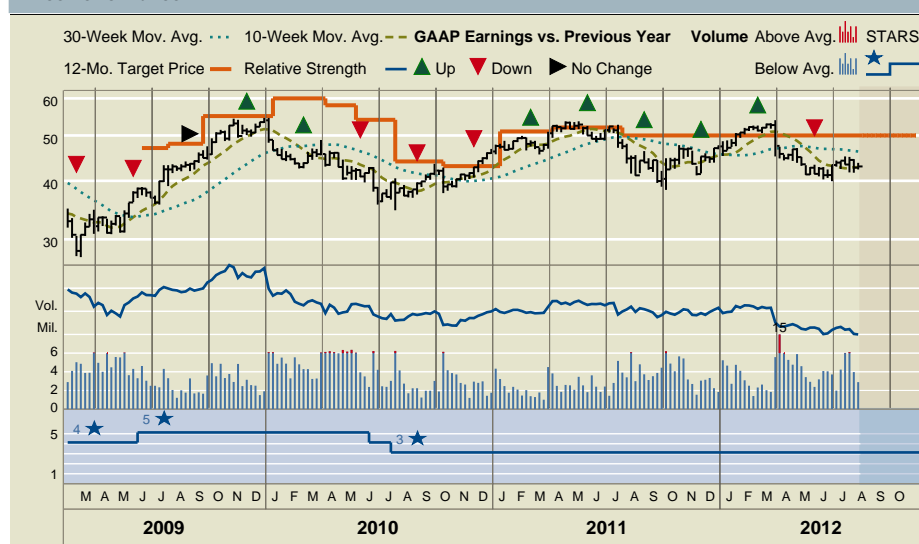
Summary This company provides electronic transaction processing services.

Sub-Industry Data Processing & Outsourced Services

Key Stock Statistics (Source S&P, Vickers, company reports)

52-Wk Range	\$53.93–38.26	S&P Oper. EPS 2013E	3.62	Market Capitalization(B)	\$3.377	Beta	0.91
Trailing 12-Month EPS	\$2.37	S&P Oper. EPS 2014E	NA	Yield (%)	0.19	S&P 3-Yr. Proj. EPS CAGR(%)	14
Trailing 12-Month P/E	18.1	P/E on S&P Oper. EPS 2013E	11.9	Dividend Rate/Share	\$0.08	S&P Credit Rating	NA
\$10K Invested 5 Yrs Ago	\$11,905	Common Shares Outstg. (M)	78.7	Institutional Ownership (%)	91		

Price Performance



Qualitative Risk Assessment

LOW **MEDIUM** **HIGH**

Our risk assessment reflects our view of the company's exposure to fluctuations in consumer spending and debit card usage, offset by our outlook for increasing card transactions, the company's disciplined expansion strategy, focus on cost synergies, and consistent execution.

Quantitative Evaluations

S&P Quality Ranking **A-**

D C B- B B+ A- A A+

Relative Strength Rank **MODERATE**

35

LOWEST = 1 HIGHEST = 99

Revenue/Earnings Data

Revenue (Million \$)

	1Q	2Q	3Q	4Q	Year
2012	542.8	530.5	533.5	597.0	2,204
2011	440.1	443.5	456.4	519.8	1,860
2010	409.9	409.0	398.5	425.1	1,642
2009	405.8	401.1	392.7	402.0	1,602
2008	311.0	308.8	310.6	343.8	1,274
2007	260.3	260.7	260.4	280.1	1,062

Earnings Per Share (\$)

	1Q	2Q	3Q	4Q	Year
2012	0.79	0.78	0.73	0.06	2.37
2011	0.61	0.67	0.60	0.72	2.61
2010	0.71	0.71	0.58	0.42	2.52
2009	0.71	0.60	-1.34	0.46	0.46
2008	0.53	0.48	0.50	0.51	2.01
2007	0.51	0.42	0.42	0.40	1.75

Fiscal year ended May 31. Next earnings report expected: Early October. EPS Estimates based on S&P Operating Earnings; historical GAAP earnings are as reported.

Dividend Data (Dates: mm/dd Payment Date: mm/dd/yy)

Amount (\$)	Date Decl.	Ex-Div. Date	Stk. of Record	Payment Date
0.020	11/02	11/14	11/16	11/30/11
0.020	02/01	02/13	02/15	02/29/12
0.020	05/03	05/15	05/17	05/31/12
0.020	08/03	08/15	08/17	08/31/12

Dividends have been paid since 2001. Source: Company reports.

Analysis prepared by Equity Analyst **Dylan Cathers** on Jun 27, 2012, when the stock traded at **\$40.54**.

Highlights

- GPN has been hit with a security breach. The company believes up to 1.5 million credit card numbers were stolen from a "handful" of its servers. It does not think that Track 1 data, which includes social security numbers, cardholder names, and addresses, was stolen. Next steps include completing an ongoing investigation and performing remediations. Also, the company needs to become compliant again, receiving its record of compliance (ROC).
- We look for revenue growth of 17.5% in FY 12 (May) and 9.0% in FY 13. Sales growth in the U.S. should continue to be healthy, but we do not anticipate much growth in Canada or the Asia/Pacific region. We expect operating margin improvement in FY 12, as the company benefits from a one-time marketing event in Spain and better pricing. We believe GPN's expenses surrounding the Philippines service center will be a drag, as will increased investments in technology to support growth initiatives and in GPN's sales force, and integration expenses from recent acquisitions.
- After EPS from continuing operations of \$2.76 in FY 11, we see EPS rising to \$3.15 in FY 12 and \$3.54 in FY 13.

Investment Rationale/Risk

- We think the security breach will be a cloud over the company until numerous uncertainties are addressed, including how long it will take to become compliant again. Further, because the investigation is ongoing, the size of the charge GPN will take has yet to be determined. We expect the company to incur additional costs surrounding increased data security upgrades, remediation, and legal expenses. More broadly, we expect opportunistic acquisitions and geographic expansion to broaden GPN's market presence. While consumer spending remains moderate, we think GPN's card transaction volumes will benefit from strength in its ISO channel. We see some headwinds ahead until macroeconomic conditions stabilize in certain key markets.
- Risks to our recommendation and target price include lower debit card usage, pricing pressure, unfavorable currency fluctuations, widespread bankruptcies among GPN's merchants, customer losses, and turnover within the ISO channel.
- We derive our 12-month target price of \$50 by applying a roughly peer-average multiple of 15X to our calendar 2012 EPS estimate of \$3.34.

Please read the Required Disclosures and Analyst Certification on the last page of this report.

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Global Payments Inc.**Business Summary** June 27, 2012

CORPORATE OVERVIEW. Global Payments is a high volume processor of electronic transactions and payments. The company acts as a merchant acquirer, an intermediary between the merchant, the card associations and card issuers whose products and services enable merchants to accept card-based payments. Through its merchant services offering, GPN provides credit and debit card transaction-processing services as well as check guarantee and verification, and recovery solutions. The company's money transfer operations, which accounted for 9% of FY 09 (May) sales, were sold in May 2010 for \$85 million. We have a favorable view of this decision, since growth for the business waned as the economy weakened. In addition, as a cost leader in the money transfer market, margins for the business were well below those for GPN's core merchant services business.

The company sells its merchant services offering under two models, "direct" and "indirect." Under the direct model, GPN sells a full-service offering (front-end and back-end processing and customer and other related support services) to merchants through its internal sales force or through ISOs or other sales channels. In either case, the end customer is the merchant. Pricing under the direct model is based on a percentage of the transaction value. Direct sales through ISOs are charged a fee per transaction. The majority of GPN's merchant services sales are direct. Indirect sales are to financial institutions and a few ISOs that in turn resell GPN's services to merchants on an a la carte basis with pricing on a specified amount per transaction. Under both models, GPN also charges other fees not related to the number of transactions or the dollar value of transactions.

MARKET PROFILE. We believe GPN's merchant acquiring business is benefiting from the rising global usage of card-based payment methods and the ongoing shift from traditional paper-based forms of payment to card-based and electronic payments. According to the Federal Reserve, total outstanding revolving consumer credit increased 4.0% in 2011, to \$865 billion, after declining in both 2009 and 2010.

GPN primarily competes in the mid-market for merchant acquiring, a segment we consider to be attractive as it is less penetrated than the market for large national clients. Also, mid-tier merchants have less pricing power, in our view.

CORPORATE STRATEGY. GPN seeks to increase its penetration in existing markets and expand into new geographic regions and new payment areas. Acquisitions and joint ventures have played an important role in its strategy. In February and May 2004, GPN acquired an aggregate of 98.3% of MUZO, which GPN said was the largest indirect payment processor in the Czech Republic. In April 2009, the company completed its purchase of ZAO United Card Service (UCS), a leading Russian merchant acquirer, for \$75 million.

In July 2006, the company entered into a joint venture with The Hongkong and Shanghai Banking Corp. Limited (HSBC), broadly expanding its presence in the Asia-Pacific region. More recently, acquisitions have continued to play an important role in expanding GPN's global reach. In June 2008, GPN acquired a majority interest in HSBC Merchant Services LLP, which expanded its presence in the United Kingdom, for \$439 million; in June 2009, the company purchased the 49% stake in its U.K.-based joint venture with HSBC that it did not previously own, for \$308 million. In December 2010, the company finalized a joint venture with La Caixa, Spain's largest retail bank, paying 125 million euros (about \$170 million) for a 51% stake. La Caixa, which held a 21% share of the Spanish merchant acquiring market at the time, contributed this business to the joint venture and entered a 20-year marketing and customer referral agreement with the joint venture.

IMPACT OF MAJOR DEVELOPMENTS. In June 2010, the company disclosed that Canadian Imperial Bank of Commerce (CIBC) would not be renewing its Visa sponsorship agreement with the company after its 10-year term expires in March 2011. GPN needs bank sponsorship to process Visa transactions in Canada. GPN applied some time ago to become a loan company in Canada so third-party sponsorship would not be needed once the application is accepted and the loan company formed. Negotiations with CIBC regarding marketing referrals recently concluded favorably with a new multi-year referral agreement, but GPN did not stand to lose its existing business if no agreement had been reached, since it owns the underlying contracts.

FINANCIAL TRENDS. The company's revenues rose at a compound annual growth rate (CAGR) of about 18% from FY 01 to FY 11, aided by acquisitions. Operating income posted a 27% CAGR from FY 01 to FY 11. We see modest near-term margin contraction due to headwinds in certain operating regions and ongoing investment and geographic expansion. Longer term, we project an expansion in operating margins from the consolidation of facilities and technology platforms.

Corporate Information**Investor Contact**

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P.R. Garcia

EVP, Secy & General**Counsel**

S.P. Tornay

Pres

J.S. Sloan

SVP & Chief Acctg**Officer**

D.C. O'Keefe

EVP & CFO

D.E. Mangum

Board Members

E. H. Burba, Jr.

P. R. Garcia

A. W. Hart

W. I. Jacobs

R. L. Killian, Jr.

R. A. Marshall

A. M. Silberstein

M. W. Trapp

G. J. Wilkins

Domicile

Georgia

Founded

2000

Employees

3,753

Stockholders

2,302

Global Payments Inc.

Quantitative Evaluations

S&P Fair Value Rank	4+	1	2	3	4	5
		LOWEST				HIGHEST
Based on S&P's proprietary quantitative model, stocks are ranked from most overvalued (1) to most undervalued (5).						

Fair Value Calculation	\$46.20	Analysis of the stock's current worth, based on S&P's proprietary quantitative model suggests that GPN is slightly undervalued by \$3.27 or 7.6%.
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Investability Quotient Percentile	93
	LOWEST = 1 HIGHEST = 100
GPN scored higher than 93% of all companies for which an S&P Report is available.	

Volatility	LOW	AVERAGE	HIGH
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Technical Evaluation	BEARISH	Since August, 2012, the technical indicators for GPN have been BEARISH.
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Insider Activity	UNFAVORABLE	NEUTRAL	FAVORABLE
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Expanded Ratio Analysis

	2012	2011	2010	2009
Price/Sales	1.55	2.05	2.31	2.72
Price/EBITDA	8.39	8.89	9.62	11.62
Price/Pretax Income	11.35	11.76	12.23	27.02
P/E Ratio	18.12	16.64	18.31	NM
Avg. Diluted Shares Outstg (M)	79.4	80.5	82.1	81.0

Figures based on calendar year-end price

Key Growth Rates and Averages

Past Growth Rate (%)	1 Year	3 Years	5 Years	9 Years
Sales	18.50	11.43	14.74	17.23
Net Income	-17.88	64.24	12.48	13.54

Ratio Analysis (Annual Avg.)

	2012	2011	2010	2009
Net Margin (%)	8.54	11.16	9.71	10.85
% LT Debt to Capitalization	13.45	15.24	11.68	6.77
Return on Equity (%)	NA	NA	15.79	16.46

Company Financials Fiscal Year Ended May 31

Per Share Data (\$)	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Tangible Book Value	2.00	0.79	1.09	2.04	5.70	4.09	2.70	0.39	NM	0.91
Cash Flow	3.62	3.87	3.36	1.28	2.55	2.09	1.84	1.73	1.29	1.15
Earnings	2.37	2.61	2.52	0.46	2.01	1.75	1.53	1.17	0.80	0.71
S&P Core Earnings	2.37	2.59	2.52	1.55	2.01	1.75	1.40	1.07	0.77	0.66
Dividends	NA	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Payout Ratio	NA	3%	3%	17%	4%	5%	5%	7%	10%	11%
Calendar Year	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Prices:High	53.67	54.50	54.52	49.87	49.13	54.78	48.49	30.30	24.12	19.85
Prices:Low	38.26	34.61	27.48	29.67	30.00	36.48	27.40	20.71	13.00	10.50
P/E Ratio:High	23	21	22	NM	24	31	32	26	30	28
P/E Ratio:Low	16	13	11	NM	15	21	18	18	16	15

Income Statement Analysis (Million \$)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenue	2,204	1,860	1,642	1,602	1,274	1,062	908	784	629	516
Operating Income	406	429	395	375	297	247	229	209	158	127
Depreciation	99.1	82.2	68.7	66.3	44.0	25.9	25.6	45.3	35.5	32.1
Interest Expense	16.9	18.2	17.5	7.27	8.17	8.46	7.14	8.38	6.53	4.30
Pretax Income	300	324	310	161	261	226	202	154	109	90.2
Effective Tax Rate	27.6%	29.3%	28.2%	54.1%	34.7%	32.4%	33.5%	34.7%	34.3%	35.3%
Net Income	188	229	207	37.2	163	143	126	92.9	62.4	53.3
S&P Core Earnings	188	209	207	126	163	143	114	84.8	59.0	49.6

Balance Sheet & Other Financial Data (Million \$)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Cash	781	1,354	770	427	456	309	218	49.0	34.5	38.0
Current Assets	1,249	1,848	968	595	617	444	348	190	203	128
Total Assets	2,688	3,351	2,039	1,677	1,446	1,201	1,019	854	833	484
Current Liabilities	837	1,444	672	336	218	143	150	183	286	62.9
Long Term Debt	237	268	273	168	Nil	Nil	Nil	0.75	12.9	3.25
Common Equity	1,172	1,185	861	1,047	1,127	958	770	578	449	366
Total Capital	1,758	2,113	1,395	1,322	1,142	1,043	852	654	532	412
Capital Expenditures	110	98.5	56.1	40.9	45.0	35.4	25.0	34.3	24.6	17.9
Cash Flow	287	311	276	104	207	169	151	138	98.0	85.4
Current Ratio	1.5	1.3	1.4	1.8	2.8	3.1	2.3	1.0	0.7	2.0
% Long Term Debt of Capitalization	13.5	12.7	19.6	12.7	Nil	Nil	Nil	0.1	2.4	0.8
% Net Income of Revenue	8.5	12.3	12.6	2.3	12.8	13.5	13.8	11.8	9.9	10.3
% Return on Assets	NA	8.5	11.2	2.4	12.3	12.9	13.4	10.8	9.2	11.6
% Return on Equity	NA	22.4	21.7	3.4	15.6	16.5	18.6	18.1	15.3	16.1

Data as orig reptd.; bef. results of disc opers/spec. items. Per share data adj. for stk. divs.; EPS diluted. E-Estimated. NA-Not Available. NM-Not Meaningful. NR-Not Ranked. UR-Under Review.

Global Payments Inc.

Sub-Industry Outlook

Our fundamental outlook for the data processing & outsourced services sub-industry is neutral. We expect providers of these services to post earnings growth in 2012, benefiting from growth of outsourcing, the prevalence of electronic transactions, and entry into international markets. However, we remain concerned that consolidation, increased regulation, and anticipated revenue loss for clients in major end markets like financial services could result in business delays or price erosion.

As economic conditions recover, we see transaction volumes for credit and debit cards and other payment methods dependent on consumer spending improving. Persistent unemployment and other economic difficulties (including the struggles in Europe) may dampen growth for payroll processors.

We view diversification into overseas regions favorably, particularly as an offset to the slower growth in the mature domestic market. Our enthusiasm for international growth is tempered somewhat by rising competition that we see, particularly as companies compete for acquisitions and other means of entry.

We believe that many data processors garner recurring revenues, generate free cash flow, and generally have healthy balance sheets. We also think these stocks provide an opportunity to participate in the IT sector without the risk associated with unproven business models. There remains potential for consolidation among market participants, in our view, as we have seen interest in the sub-industry from buyout firms in the past.

We think companies will continue to outsource to

third parties to focus on core competencies and to seek greater profitability. Globally, companies spent an estimated \$156 billion on business outsourcing in 2011, and IDC, a market research firm, forecasts that this will rise to \$203 billion by 2016. Also, we expect the proportion of electronic payments to rise at the expense of paper-based payments. We believe these trends bode well for data processors, although we think regulatory changes remain a concern.

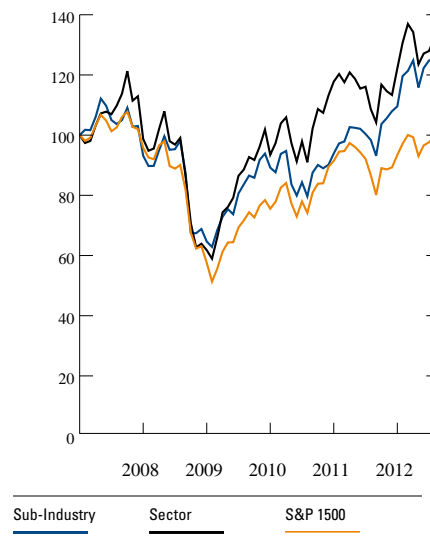
The S&P Data Processing & Outsourced Services Index rose 13.6% year to date through July 13, while the S&P 1500 was up 7.8%. In 2011, it was up 19.8% versus the S&P 1500's 0.3% decline. We note that recurring revenues, long-term contracts, and cash flows that many in the group have offer support in turbulent times.

--Dylan Cathers

Stock Performance

GICS Sector: Information Technology
Sub-Industry: Data Processing & Outsourced Services

Based on S&P 1500 Indexes
Month-end Price Performance as of 07/31/12



NOTE: All Sector & Sub-Industry information is based on the Global Industry Classification Standard (GICS)

Sub-Industry : Data Processing & Outsourced Services Peer Group*: Payment Processors & Services

Peer Group	Stock Symbol	Stk.Mkt. Cap. (Mil. \$)	Recent Stock Price(\$)	52 Week High/Low(\$)	Beta	Yield (%)	P/E Ratio	Fair Value Calc.(\$)	Quality Ranking	S&P IQ %ile	Return on Revenue (%)	LTD to Cap (%)
Global Payments	GPN	3,377	42.93	53.93/38.26	0.91	0.2	18	46.20	A-	93	8.5	13.5
Alliance Data Systems	ADS	6,570	131.28	137.84/82.68	1.47	Nil	21	168.70	B+	40	9.9	96.9
Cass Information Systems	CASS	414	39.88	42.86/27.05	0.61	1.7	18	NA	A	84	21.6	NA
Euronet Worldwide	EEFT	887	17.55	22.50/13.55	1.63	Nil	34	18.60	B-	16	3.2	18.8
MasterCard Inc 'A'	MA	51,654	426.03	466.98/293.01	0.90	0.3	26	577.20	NR	94	28.4	NA
MoneyGram Intl	MGI	961	16.61	23.04/13.66	1.45	Nil	NM	12.70	C	14	4.8	115.7
Total System Svcs	TSS	4,476	23.67	25.06/16.34	0.96	1.7	19	22.10	B+	98	12.3	2.5
Western Union	WU	10,819	17.65	19.82/14.55	1.40	2.3	9	23.40	NR	84	21.2	80.0

NA-Not Available NM-Not Meaningful NR-Not Rated. *For Peer Groups with more than 15 companies or stocks, selection of issues is based on market capitalization.

Global Payments Inc.**S&P Analyst Research Notes and other Company News****July 27, 2012**

10:09 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF GLOBAL PAYMENTS INC. (GPN 43.90***): We are raising our FY 13 (May) EPS estimate to \$3.62 from \$3.54. May-Q operating EPS of \$0.97, vs. \$0.76, is \$0.12 above our estimate. GAAP results were affected by several charges, including one related to GPN's processing system intrusion earlier this year. We keep our target price at \$50. For FY 13, we see revenue growth of 8.0%. We think low double-digit growth in the U.S. and the Asia/Pacific region will be partially offset by weakness in Canada and selected areas of Europe, as well as a forex headwind. We see investments narrowing operating margins this fiscal year. /D. Cathers

July 17, 2012

Global Payments Inc. announced organization changes. Morgan Schuessler, currently the company's Executive Vice President and Chief Administrative Officer, will be assuming the position of President -- International as of August 1, 2012. Mr. Schuessler will oversee the company's business units in Europe and Asia. In his current role, Mr. Schuessler has supported the company's international growth through his existing responsibilities for global operations, marketing and human resources. He is also a current board member of the company's Asia-Pacific joint venture and will join the board of the company's joint venture in Spain. Joseph Hyde, currently the company's President -- International, will be leaving Global Payments to join a privately-held financial services firm unrelated to the payments industry as Chief Financial Officer. Prior to taking the international assignment in 2008, Mr. Hyde served as Chief Financial Officer for Global Payments.

June 13, 2012

GPN says its ongoing investigation recently revealed potential unauthorized access to servers containing personal information collected from a subset of merchant applicants. Says it is unclear whether the intruders looked at or took any personal information from co.'s systems; however, it will notify potentially-affected individuals in the coming days with helpful information and make available credit monitoring and identity protection insurance at no cost.

June 13, 2012

11:57 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF GLOBAL PAYMENTS (GPN 41.29***): We expect GPN to take a one-time charge related to a security breach, for legal and other costs. GPN released more details on the security breach, which affected up to 1.5M card numbers. While we think the incident has been contained, it is unclear whether certain personal cardholder information was taken after discovering possible unauthorized access to servers. However, it is believed that names and social security numbers were not stolen. As a result, GPN is making available credit monitoring and \$1M of identity protection insurance at no cost to the account holders. /D. Cathers, /A. Zino-CFA

April 2, 2012

GPN confirms it has identified and self-reported unauthorized access into its processing system. WSJ reports that VISA has removed GPN from a list of hundreds of companies that it considers to be "compliant service providers," according to the list that was reviewed by The Wall Street Journal. Also, GPN posts \$0.83 vs. \$0.71 Q3 EPS on 17% revenue rise. Says it continues to expect its FY 12 annual revenue to grow 16%-18%, EPS on cash basis to be \$3.50-\$3.58.

April 2, 2012

10:15 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF GLOBAL PAYMENTS INC. (GPN 45.74***): GPN releases more details on its security breach, which affected up to 1.5M card numbers. It is believed that cardholder names, addresses and social security numbers were not stolen. We expect the company to take a charge related to the incident for costs surrounding increased data security upgrades, remediation, and legal expenses, but the investigation must be completed first. Separately, GPN posts Feb-Q EPS of \$0.73, vs. \$0.60, \$0.02 below our estimate. We lower our FY 12 (May) EPS forecast by \$0.03 to \$3.15, but keep FY 13's \$3.54 and our 12-month target price of \$50. /D. Cathers

March 30, 2012

04:27 pm ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF GLOBAL PAYMENTS (GPN 47.50***): Shares were halted today after reports surfaced that there had been a security breach of some MasterCard and Visa cardholders through a third-party service provider. GPN later confirmed that there indeed was a breach into "a portion of its processing system." An investigation is under way.

Details were few, but we expect more information is forthcoming, as a conference call is scheduled for early Monday morning. We think the security lapse could invite lawsuits and result in expenses to rectify the situation and make whole those affected. We keep our target price of \$50. /D. Cathers

March 30, 2012

DOWN 4.99 to 47.24... HALTED. WSJ.com reports GPN, which processes credit cards and debit card for banks and merchants, has been hit by a security breach that is putting some 50,000 cardholders at risk, according to people with knowledge of the situation. It was not immediately clear if cardholders have been hit by fraudulent transactions. GPN unavailable.

January 6, 2012

DOWN 1.77 to 46.22... GPN posts \$0.78 vs. \$0.67 Q2 GAAP EPS on 20% revenue rise. GPN posts \$0.86 vs. \$0.76 Q2 cash EPS. S&P Capital IQ maintains hold. ST Robinson Humphrey downgrades to neutral. ... 5.

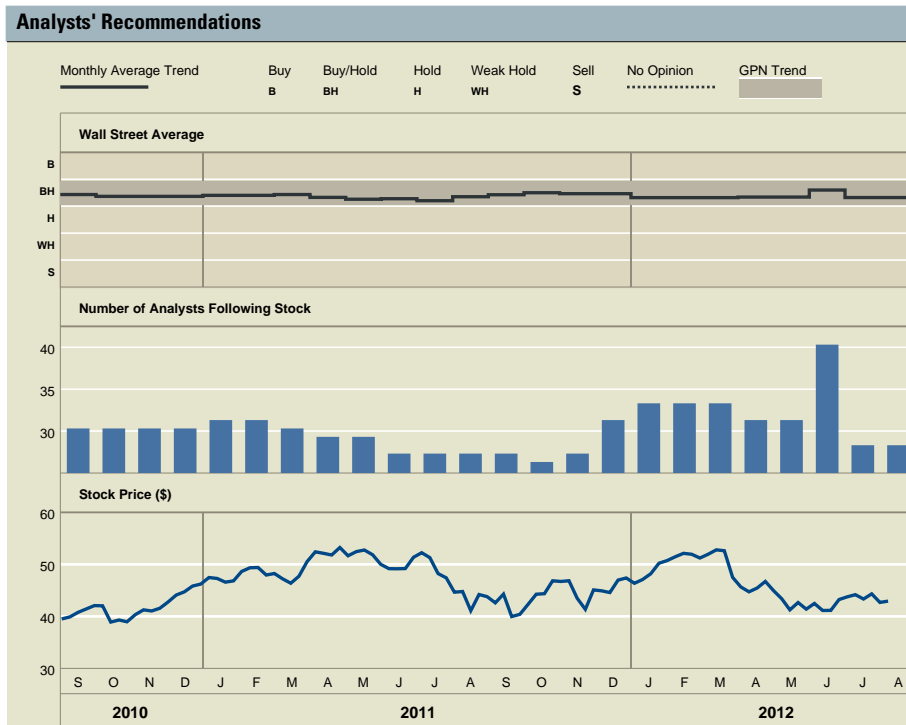
January 6, 2012

02:52 pm ET ... GLOBAL PAYMENTS INC. (GPN 46.18) DOWN 1.81, GLOBAL PAYMENTS (GPN) POSTS Q2. ST ROBINSON HUMPHREY DOWNGRADES TO NEUTRAL... Analyst Andrew Jeffrey tells salesforce downgrade follows disappointing Q2 results. Notes Q2 revenue of \$530M was \$5M shy of his model, cash EPS of \$0.86 were \$0.03 light. Believes GPN will continue struggling with adverse domestic economics. Says expected above-average international revenue growth and EBIT margin expansion are apparently not materializing. Therefore, while he believes the company can achieve revenue, EPS guidance, stock's multiple will probably remain flat or contract for the foreseeable future. S.Trombino

January 6, 2012

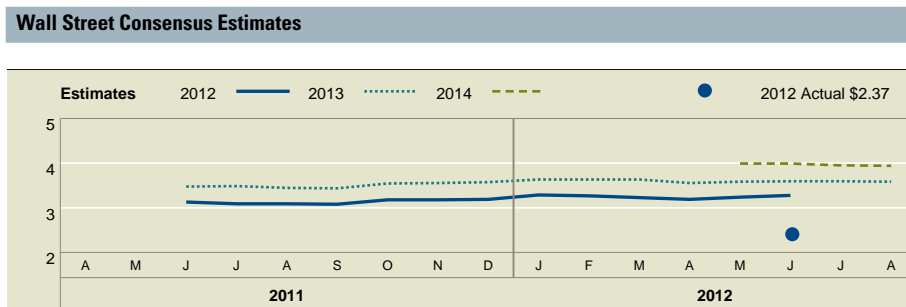
11:05 am ET ... S&P MAINTAINS HOLD OPINION ON SHARES OF GLOBAL PAYMENTS INC. (GPN 46.01***): Nov-Q EPS of \$0.78, vs. \$0.67, is \$0.01 below our estimate. We see revenue growth of 18% in FY 12 (May), reflecting the La Caixa joint venture in Spain, a few recent acquisitions, and continued healthy growth in the U.S. We believe revenue gains in Canada and Asia/Pacific will be modest, however. Operating margins should widen this fiscal year from a one-time item and better pricing, but we see headwinds from acquisition integration costs. We lift our FY 12 EPS forecast \$0.03 to \$3.18 and FY 13's to \$3.54 from \$3.53. We reiterate our 12-month target price of \$50. /D. Cathers

Global Payments Inc.



Of the total 37 companies following GPN, 28 analysts currently publish recommendations.

	No. of Ratings	% of Total	1 Mo. Prior	3 Mos. Prior
Buy	9	32	9	10
Buy/Hold	5	18	5	6
Hold	14	50	14	15
Weak Hold	0	0	0	0
Sell	0	0	0	0
No Opinion	0	0	0	0
Total	28	100	28	31



Fiscal Years	Avg Est.	High Est.	Low Est.	# of Est.	Est. P/E
2014	3.96	4.25	3.55	19	10.8
2013	3.60	3.77	3.25	28	11.9
2014 vs. 2013	▲ 10%	▲ 13%	▲ 9%	▼ -32%	▼ -9%
Q1'14	0.98	1.02	0.91	10	43.8
Q1'13	0.87	0.95	0.77	25	49.3
Q1'14 vs. Q1'13	▲ 13%	▲ 7%	▲ 18%	▼ -60%	▼ -11%

A company's earnings outlook plays a major part in any investment decision. Standard & Poor's organizes the earnings estimates of over 2,300 Wall Street analysts, and provides their consensus of earnings over the next two years. This graph shows the trend in analyst estimates over the past 15 months.

Wall Street Consensus Opinion

BUY/HOLD

Companies Offering Coverage

- Over 30 firms follow this stock; not all firms are displayed.
- B. Riley & Co., LLC
 - Barclays
 - Barrington Research Associates, Inc.
 - BofA Merrill Lynch
 - Citigroup Inc
 - Cowen and Company, LLC
 - Credit Agricole Securities (USA) Inc.
 - Credit Suisse
 - Deutsche Bank
 - Duncan-Williams, Inc.
 - First Analysis Securities Corporation
 - Goldman Sachs
 - JP Morgan
 - Janney Montgomery Scott LLC
 - Jefferies & Company, Inc.
 - Keefe, Bruyette, & Woods, Inc.
 - Lazard Capital Markets
 - Macquarie Research
 - Morgan Keegan & Company
 - Morgan Stanley
 - Morningstar Inc.
 - Northcoast Research
 - Oppenheimer & Co. Inc.
 - Piper Jaffray Companies
 - RBC Capital Markets
 - Raymond James & Associates
 - Robert W. Baird & Co.
 - S&P Equity Research
 - Signal Hill Capital Group LLC
 - Stephens, Inc.

Wall Street Consensus vs. Performance

For fiscal year 2013, analysts estimate that GPN will earn \$3.60. For fiscal year 2014, analysts estimate that GPN's earnings per share will grow by 10% to \$3.96.

Global Payments Inc.

Glossary

S&P STARS

Since January 1, 1987, Standard and Poor's Equity Research Services has ranked a universe of common stocks based on a given stock's potential for future performance. Under proprietary STARS (Stock Appreciation Ranking System), S&P equity analysts rank stocks according to their individual forecast of a stock's future total return potential versus the expected total return of a relevant benchmark (e.g., a regional index (S&P Asia 50 Index, S&P Europe 350 Index or S&P 500 Index)), based on a 12-month time horizon. STARS was designed to meet the needs of investors looking to put their investment decisions in perspective. Data used to assist in determining the STARS ranking may be the result of the analyst's own models as well as internal proprietary models resulting from dynamic data inputs.

S&P 12-Month Target Price

The S&P equity analyst's projection of the market price a given security will command 12 months hence, based on a combination of intrinsic, relative, and private market valuation metrics, including S&P Fair Value.

Investment Style Classification

Characterizes the stock as Growth or Value, and indicates its capitalization level. Growth is evaluated along three dimensions (earnings, sales and internal growth), while Value is evaluated along four dimensions (book-to-price, cash flow-to-price, dividend yield and sale-to-price). Growth stocks score higher than the market average on growth dimensions and lower on value dimensions. The reverse is true for Value stocks. Certain stocks are classified as Blend, indicating a mixture of growth and value characteristics and cannot be classified as purely growth or value.

S&P EPS Estimates

Standard & Poor's earnings per share (EPS) estimates reflect analyst projections of future EPS from continuing operations, and generally exclude various items that are viewed as special, non-recurring, or extraordinary. Also, S&P EPS estimates reflect either forecasts of S&P equity analysts; or, the consensus (average) EPS estimate, which are independently compiled by Capital IQ, a data provider to Standard & Poor's Equity Research. Among the items typically excluded from EPS estimates are asset sale gains; impairment, restructuring or merger-related charges; legal and insurance settlements; in process research and development expenses; gains or losses on the extinguishment of debt; the cumulative effect of accounting changes; and earnings related to operations that have been classified by the company as discontinued. The inclusion of some items, such as stock option expense and recurring types of other charges, may vary, and depend on such factors as industry practice, analyst judgment, and the extent to which some types of data is disclosed by companies.

S&P Core Earnings

Standard & Poor's Core Earnings is a uniform methodology for adjusting operating earnings by focusing on a company's after-tax earnings generated from its principal businesses. Included in the Standard & Poor's definition are employee stock option grant expenses, pension costs, restructuring charges from ongoing operations, write-downs of depreciable or amortizable operating assets, purchased research and development, M&A related expenses and unrealized gains/losses from hedging activities. Excluded from the definition are pension gains, impairment of goodwill charges, gains or losses from asset sales, reversal of prior-year charges and provision from litigation or insurance settlements.

Qualitative Risk Assessment

The S&P equity analyst's view of a given company's operational risk, or the risk of a firm's ability to continue as an ongoing concern. The Qualitative Risk Assessment

is a relative ranking to the S&P U.S. STARS universe, and should be reflective of risk factors related to a company's operations, as opposed to risk and volatility measures associated with share prices.

Quantitative Evaluations

In contrast to our qualitative STARS recommendations, which are assigned by S&P analysts, the quantitative evaluations described below are derived from proprietary arithmetic models. These computer-driven evaluations may at times contradict an analyst's qualitative assessment of a stock. One primary reason for this is that different measures are used to determine each. For instance, when designating STARS, S&P analysts assess many factors that cannot be reflected in a model, such as risks and opportunities, management changes, recent competitive shifts, patent expiration, litigation risk, etc.

S&P Quality Ranking

Growth and stability of earnings and dividends are deemed key elements in establishing S&P's Quality Rankings for common stocks, which are designed to capsize the nature of this record in a single symbol. It should be noted, however, that the process also takes into consideration certain adjustments and modifications deemed desirable in establishing such rankings. The final score for each stock is measured against a scoring matrix determined by analysis of the scores of a large and representative sample of stocks. The range of scores in the array of this sample has been aligned with the following ladder of rankings:

A+ Highest	B Below Average
A High	B- Lower
A- Above Average	C Lowest
B+ Average	D In Reorganization
NR Not Ranked	

S&P Fair Value Rank

Using S&P's exclusive proprietary quantitative model, stocks are ranked in one of five groups, ranging from Group 5, listing the most undervalued stocks, to Group 1, the most overvalued issues. Group 5 stocks are expected to generally outperform all others. A positive (+) or negative (-) Timing Index is placed next to the Fair Value ranking to further aid the selection process. A stock with a (+) added to the Fair Value Rank simply means that this stock has a somewhat better chance to outperform other stocks with the same Fair Value Rank. A stock with a (-) has a somewhat lesser chance to outperform other stocks with the same Fair Value Rank. The Fair Value rankings imply the following: 5-Stock is significantly undervalued; 4-Stock is moderately undervalued; 3-Stock is fairly valued; 2-Stock is modestly overvalued; 1-Stock is significantly overvalued.

S&P Fair Value Calculation

The price at which a stock should trade at, according to S&P's proprietary quantitative model that incorporates both actual and estimated variables (as opposed to only actual variables in the case of S&P Quality Ranking). Relying heavily on a company's actual return on equity, the S&P Fair Value model places a value on a security based on placing a formula-derived price-to-book multiple on a company's consensus earnings per share estimate.

Insider Activity

Gives an insight as to insider sentiment by showing whether directors, officers and key employees who have proprietary information not available to the general public, are buying or selling the company's stock during the most recent six months.

Funds From Operations FFO

FFO is Funds from Operations and equal to a REIT's net income, excluding gains or losses from sales of property, plus real estate depreciation.

Investability Quotient (IQ)

The IQ is a measure of investment desirability. It serves

as an indicator of potential medium-to-long term return and as a caution against downside risk. The measure takes into account variables such as technical indicators, earnings estimates, liquidity, financial ratios and selected S&P proprietary measures.

S&P's IQ Rationale: Global Payments

	Raw Score	Max Value
Proprietary S&P Measures	30	115
Technical Indicators	22	40
Liquidity/Volatility Measures	19	20
Quantitative Measures	52	75
IQ Total	123	250

Volatility

Rates the volatility of the stock's price over the past year.

Technical Evaluation

In researching the past market history of prices and trading volume for each company, S&P's computer models apply special technical methods and formulas to identify and project price trends for the stock.

Relative Strength Rank

Shows, on a scale of 1 to 99, how the stock has performed versus all other companies in S&P's universe on a rolling 13-week basis.

Global Industry Classification Standard (GICS)

An industry classification standard, developed by Standard & Poor's in collaboration with Morgan Stanley Capital International (MSCI). GICS is currently comprised of 10 Sectors, 24 Industry Groups, 68 Industries, and 154 Sub-Industries.

S&P Issuer Credit Rating

A Standard & Poor's Issuer Credit Rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. This opinion focuses on the obligor's capacity and willingness to meet its financial commitments as they come due. It does not apply to any specific financial obligation, as it does not take into account the nature of and provisions of the obligation, its standing in bankruptcy or liquidation, statutory preferences, or the legality and enforceability of the obligation. In addition, it does not take into account the creditworthiness of the guarantors, insurers, or other forms of credit enhancement on the obligation. The Issuer Credit Rating is not a recommendation to purchase, sell, or hold a financial obligation issued by an obligor, as it does not comment on market price or suitability for a particular investor. Issuer Credit Ratings are based on current information furnished by obligors or obtained by Standard & Poor's from other sources it considers reliable. Standard & Poor's does not perform an audit in connection with any Issuer Credit Rating and may, on occasion, rely on unaudited financial information. Issuer Credit Ratings may be changed, suspended, or withdrawn as a result of changes in, or unavailability of, such information, or based on other circumstances.

Exchange Type

ASE - American Stock Exchange; AU - Australia Stock Exchange; BB - Bulletin Board; NGM - Nasdaq Global Market; NNM - Nasdaq Global Select Market; NSC - Nasdaq Capital Market; NYS - New York Stock Exchange; OTN - Other OTC (Over the Counter); OTC - Over the Counter; QB - OTCQB; QX - OTCQX; TS - Toronto Stock Exchange; TXV - TSX Venture Exchange; NEX - NEX Exchange.

S&P Equity Research Services

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Abbreviations Used in S&P Equity Research Reports

CAGR- Compound Annual Growth Rate; **CAPEX**- Capital Expenditures; **CY**- Calendar Year; **DCF**- Discounted Cash Flow; **EBIT**- Earnings Before Interest and Taxes; **EBITDA**- Earnings Before Interest, Taxes, Depreciation and Amortization; **EPS**- Earnings Per Share; **EV**- Enterprise Value; **FCF**- Free Cash Flow; **FFO**- Funds From Operations; **FY**- Fiscal Year; **P/E**- Price/Earnings; **PEG Ratio**- P/E-to-Growth Ratio; **PV**- Present Value; **R&D**- Research & Development; **ROE**- Return on Equity; **ROI**- Return on Investment; **ROIC**- Return on Invested Capital; **ROA**- Return on Assets; **SG&A**- Selling, General & Administrative Expenses; **WACC**- Weighted Average Cost of Capital

Dividends on American Depository Receipts (ADRs) and American Depository Shares (ADSs) are net of taxes (paid in the country of origin).

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In contrast to the qualitative STARS recommendations covered in this report, which are determined and assigned by S&P equity analysts, S&P's quantitative evaluations are derived from S&P's proprietary Fair Value quantitative model. In particular, the Fair Value Ranking methodology is a relative ranking methodology, whereas the STARS methodology is not. Because the Fair Value model and the STARS methodology reflect different criteria, assumptions and analytical methods, quantitative evaluations may at times differ from (or even contradict) an equity analyst's STARS recommendations. As a quantitative model, Fair Value relies on history and consensus estimates and does not introduce an element of subjectivity as can be the case with equity analysts in assigning STARS recommendations.

S&P Global STARS Distribution

In North America: As of June 29, 2012, research analysts at Standard & Poor's Equity Research Services North America recommended 37.5% of issuers with buy recommendations, 57.5% with hold recommendations and 5.0% with sell recommendations.

In Europe: As of June 29, 2012, research analysts at Standard & Poor's Equity Research Services Europe recommended 32.5% of issuers with buy recommendations, 50.8% with hold recommendations and 16.7% with sell recommendations.

In Asia: As of June 29, 2012, research analysts at Standard & Poor's Equity Research Services Asia recommended 34.7% of issuers with buy recommendations, 57.8% with hold recommendations and 7.5% with sell recommendations.

Globally: As of June 29, 2012, research analysts at Standard & Poor's Equity Research Services globally recommended 36.5% of issuers with buy recommendations, 56.4% with hold recommendations and 7.1% with sell recommendations.

★★★★★ **5-STARS (Strong Buy):** Total return is expected to outperform the total return of a relevant benchmark, by a wide margin over the coming 12 months, with shares rising in price on an absolute basis.

★★★★☆ **4-STARS (Buy):** Total return is expected to outperform the total return of a relevant benchmark over the coming 12 months, with shares rising in price on an absolute basis.

★★★☆☆ **3-STARS (Hold):** Total return is expected to closely approximate the total return of a relevant benchmark over the coming 12 months, with shares generally rising in price on an absolute basis.

★★☆☆☆ **2-STARS (Sell):** Total return is expected to

underperform the total return of a relevant benchmark over the coming 12 months, and the share price not anticipated to show a gain.

★★★★☆ **1-STARS (Strong Sell):** Total return is expected to underperform the total return of a relevant benchmark by a wide margin over the coming 12 months, with shares falling in price on an absolute basis.

Relevant benchmarks: In North America the relevant benchmark is the S&P 500 Index, in Europe and in Asia, the relevant benchmarks are generally the S&P Europe 350 Index and the S&P Asia 50 Index.

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In Asia: As of June 29, 2012, Standard & Poor's Quantitative Services Asia recommended 34.7% of issuers with buy recommendations, 21.0% with hold recommendations and 28.0% with sell recommendations.

Globally: As of June 29, 2012, Standard & Poor's Quantitative Services globally recommended 46.0% of issuers with buy recommendations, 20.0% with hold recommendations and 32.0% with sell recommendations.

Additional information is available upon request.

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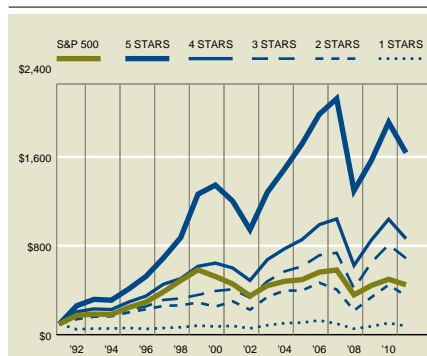
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U.S. STARS Cumulative Model Performance

Hypothetical Growth Due to Price Appreciation of \$100 For the Period 12/31/1986 through 07/31/2012



The performance above represents only the results of Standard & Poor's model portfolios. Model performance has inherent limitations. Standard & Poor's maintains the models and calculates the model performance shown, but does not manage actual assets. The U.S. STARS model performance chart is only an illustration of Standard & Poor's (S&P) research; it shows how U.S. common stocks, ADRs (American Depositary Receipts) and ADSs (American Depositary Shares), collectively "equities", that received particular STARS rankings performed. STARS categories are models only; they are not collective investment funds. The STARS performance does not show how any actual portfolio has performed. STARS model performance does not represent the results of actual trading of investor assets. Thus, the model performance shown does not reflect the impact that material economic and market factors might have had on decision-making if actual investor money had been managed. Performance is calculated using a time-weighted rate of return. While model performance for some or all STARS categories performed better than the S&P 500 for the period shown, the performance during any shorter period may not have, and there is no assurance that they will perform better than the S&P 500 in the future. STARS does not take into account any particular investment objective, financial situation or need and is not intended as an investment recommendation or strategy. Investments based on the STARS methodology may lose money. High returns are not necessarily the norm and there is no assurance that they can be sustained. Past model performance of STARS is no guarantee of future performance.

For model performance calculation purposes, the

equities within each STARS category at December 31, 1986 were equally weighted. Thereafter, additions to the composition of the equities in each STARS category are made at the average value of the STARS category at the preceding month end with no rebalancing. Deletions are made at the closing price of the day that the deletion is made. Performance was calculated from inception through March 31, 2003 on a monthly basis. Thereafter, performance is calculated daily. Equities in each STARS category will change over time, and some or all of the equities that received STARS rankings during the time period shown may not have maintained their STARS ranking during the entire period.

The model performance does not consider taxes and brokerage commissions, nor does it reflect the deduction of any advisory or other fees charged by advisors or other parties that investors will incur when their accounts are managed in accordance with the models. The imposition of these fees and charges would cause actual performance to be lower than the performance shown. For example, if a model returned 10 percent on a \$100,000 investment for a 12-month period (or \$10,000) and an annual asset-based fee of 1.5 percent were imposed at the end of the period (or \$1,650), the net return would be 8.35 percent (or \$8,350) for the year. Over 3 years, an annual 1.5% fee taken at year end with an assumed 10% return per year would result in a cumulative gross return of 33.1%, a total fee of \$5,375 and a cumulative net return of 27.2% (or \$27,200). Fees deducted on a frequency other than annual would result in a different cumulative net return in the preceding example.

The Standard & Poor's 500 index is the benchmark for U.S. STARS. The S&P 500 index is calculated in U.S. dollars and does not take into account the reinvestment of dividends. Indexes are unmanaged, statistical composites and their returns do not include payment of any sales charges or fees an investor would pay to purchase the securities they represent. Such costs would lower performance. It is not possible to invest directly in an index. The S&P 500 index includes a different number of constituents and has different risk characteristics than the STARS equities. Some of the STARS equities may have been included in the S&P 500 index for some (but not necessarily all) of the period covered in the chart, and some such equities may not have been included at all. The S&P 500 excludes ADRs and ADSs. The methodology for calculating the return of the S&P 500 index differs from the methodology of calculating the return for STARS. Past performance of the S&P 500 index is no guarantee of future performance.

An investment based upon the models should only be made after consulting with a financial advisor and with an understanding of the risks associated with any investment in securities, including, but not limited to, market risk, currency risk, political and credit risks, the risk of economic recession and the risk that issuers of securities or general stock market conditions may worsen, over time. Foreign investing involves certain risks, including currency fluctuations and controls, restrictions on foreign investments, less governmental supervision and regulation, less liquidity and the potential for market volatility and political instability. As with any investment, investment returns and principal value will fluctuate, so that when redeemed, an investor's shares may be worth more or less than their original cost.

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