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|              |                                    |
|--------------|------------------------------------|
| Stock Rating | <b>BUY</b><br><i>Unchanged</i>     |
| Price Target | <b>\$87.00</b><br><i>Unchanged</i> |

|                                 |                 |
|---------------------------------|-----------------|
| TR to Target                    | 17.3%           |
| Price (Mar. 31, 2023)           | \$74.18         |
| 52-Wk Range                     | \$75.80-\$30.47 |
| Market Cap (\$M)                | \$6,328         |
| ADTV                            | 910,309         |
| Shares Out (M)                  | 85              |
| Short Interest Ratio/% Of Float | 16.4%           |
| Enterprise Value (\$M)          | \$7,293         |
| Cash & Equivalents (\$M)        | \$777           |
| Total Debt (\$M)                | \$1,742         |
| Debt/TTM EBITDA                 | 6.0x            |
| EV/EBITDA NTM                   | 17.1x           |
| ROE                             | 40.0%           |
| ROIC                            | 13.7%           |
| Cash Per Share                  | \$9.10          |
| FCF/Share                       | \$2.56          |

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## Shift4 Payments, Inc. (FOUR)

High Conviction. Buy.

We remain bullish w/an \$87 PT (15.7x C24E EBITDA). FOUR has outperformed YTD (+33% vs SPX +7%), but we think the stock retains upside as the co is poised to beat consensus EBITDA. We also anticipate 20%+ long-term organic rev growth (ugr), powered by gateway repricing, end-to-end (E2E) conversions, customer wins and new verticals, like venues and ticketing. The Finaro acquisition should close in 2H23, bolstering the co's omnichannel ambitions. We bump our C23E/C24E EBITDA to \$426m/\$535m, from \$424m/\$522m. Notable, we raise our 1Q23 EBITDA est to \$79m, from \$63m, reflecting confidence in robust operating leverage.

**Elevated bar, and we expect Shift4 to clear it.** We recognize that FOUR's YTD performance and the spread in Street 1Q23 EBITDA estimates (low \$62m/high \$95m) could create n-t volatility. We remain bullish, however, as we think the co is poised to beat the \$420m C23 EBITDA consensus on likely better-than-expected ugr (Truist Securities +35%/Street +28%). Our confidence is bolstered by Shift4's strong competitive position, highlighted by a new integrated POS solution, SkyTab POS, and its emerging venues and ticketing businesses. In addition, Shift4's gateway conversion and repricing strategy is a multiyear tailwind, in our opinion. We expect these drivers will support durable 20%+ organic revenue growth — more than 2x the industry average and 6-8ppt faster than Fiserv (FISV, Hold) and Global Payments (GPN, Buy).

**Other considerations mostly noise.** Despite this meaningful growth, we see larger merchant signings and accelerated gateway conversions pressuring 2023 and 2024 take rate. We believe investors appreciate that end-to-end and new vertical growth are key gross profit \$ drivers, however. These tailwinds, and improving EBITDA margin, will support valuation, in our view. Finally, it is our view that the pending Finaro acquisition can advance the company's cx-border and omnichannel ambitions. Although Finaro will likely make only a modest C23 contribution, we point to recent M&A success, in venues and domestic eCommerce, as demonstrating upside potential from strategic deals.

**In summary, we see Shift4 emerging as a global omnichannel processor and believe the stock deserves a durable premium to Legacy peers.**

## Reasons for this report

✓ Updating Estimates

| EBITDA (\$M) | 2022A | 2023E |       |       | 2024E |       |       |
|--------------|-------|-------|-------|-------|-------|-------|-------|
| FYE Dec      |       | New   | Old   | Cons  | New   | Old   | Cons  |
| Q1           | \$44  | \$79  | \$63  | --    | --    | --    | --    |
| Q2           | \$66  | \$98  | \$94  | --    | --    | --    | --    |
| Q3           | \$85  | \$118 | \$119 | --    | --    | --    | --    |
| Q4           | \$94  | \$132 | \$147 | --    | --    | --    | --    |
| Year         | \$290 | \$426 | \$424 | \$420 | \$535 | \$522 | \$531 |
| EV/EBITDA    | 25.2x | 17.1x |       |       | 13.6x |       |       |

## Estimate Changes

### Truist Securities Estimates

(\$ Millions, except EPS)

|                                      | 2022<br>Actual | 2023<br>Prior<br>Estimate | 2023<br>Updated<br>Estimate | Delta      | 2024<br>Prior<br>Estimate | 2024<br>New<br>Estimate | Delta      |
|--------------------------------------|----------------|---------------------------|-----------------------------|------------|---------------------------|-------------------------|------------|
| <b>Net Revenue</b>                   | <b>\$728</b>   | <b>\$952</b>              | <b>\$952</b>                | <b>\$0</b> | <b>\$1,152</b>            | <b>\$1,152</b>          | <b>\$0</b> |
| Gross Profit                         | 442            | 600                       | 610                         | 10         | 714                       | 740                     | 26         |
| <b>Adjusted EBITDA</b>               | <b>290</b>     | <b>424</b>                | <b>426</b>                  | <b>2</b>   | <b>522</b>                | <b>535</b>              | <b>13</b>  |
| % gross profit margin on net revenue | 60.7%          | 63.0%                     | 64.0%                       | 1.0%       | 62.0%                     | 64.3%                   | 2.3%       |
| % Adj. EBITDA margin on net revenue  | 39.8%          | 44.5%                     | 44.8%                       | 0.2%       | 45.3%                     | 46.4%                   | 1.2%       |
| <b>End-to-end payment volume</b>     | <b>71,600</b>  | <b>108,265</b>            | <b>108,265</b>              | <b>0</b>   | <b>138,038</b>            | <b>138,038</b>          | <b>0</b>   |
| Net end-to-end revenue yield         | 1.02%          | 0.88%                     | 0.88%                       | 0.00%      | 0.83%                     | 0.83%                   | 0.00%      |

Source: Company reports, Truist Securities

### Wall Street Consensus Estimates

(\$ Millions, except EPS)

|                                      | 2022 Actual   | 2023<br>Estimate | 2024<br>Estimate |
|--------------------------------------|---------------|------------------|------------------|
| <b>Net Revenue</b>                   | <b>\$728</b>  | <b>\$930</b>     | <b>\$1,136</b>   |
| Gross Profit                         | 442           | 647              | 802              |
| <b>Adjusted EBITDA</b>               | <b>290</b>    | <b>420</b>       | <b>531</b>       |
| % gross profit margin on net revenue | 60.7%         | 69.5%            | 70.6%            |
| % Adj. EBITDA margin on net revenue  | 39.8%         | 45.2%            | 46.7%            |
| <b>End-to-end payment volume</b>     | <b>71,600</b> | <b>103,928</b>   | <b>147,937</b>   |
| Net end-to-end revenue yield         | 1.02%         | 0.89%            | 0.77%            |

Source: Factset Estimates



**Shift4 Payments**  
Condensed Annual & Quarterly Income Statement  
(\$ in Millions, Except Per-Share)

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Last Updated 4/3/2023

| FY: DECEMBER                            | 2021A          | 1Q22A          | 2Q22A        | 3Q22A        | 4Q22A        | 2022A        | 1Q23E          | 2Q23E        | 3Q23E        | 4Q23E        | 2023E        | 2024E          |
|---|----------------|----------------|--------------|--------------|--------------|--------------|----------------|--------------|--------------|--------------|--------------|----------------|
| Gross revenue                           | 1,367.5        | 401.9          | 506.7        | 547.3        | 537.7        | 1,993.6      | 479.1          | 693.0        | 763.9        | 762.9        | 2,698.9      | 3,156.7        |
| Network fees                            | 838.5          | 253.1          | 324.1        | 350.6        | 338.3        | 1,266.1      | 311.4          | 450.4        | 496.5        | 488.3        | 1,746.7      | 2,004.5        |
| <b>Net Revenue</b>                      | <b>529.0</b>   | <b>148.8</b>   | <b>182.6</b> | <b>196.7</b> | <b>199.4</b> | <b>727.5</b> | <b>167.7</b>   | <b>242.5</b> | <b>267.4</b> | <b>274.7</b> | <b>952.3</b> | <b>1,152.2</b> |
| <b>Gross profit</b>                     | <b>256.6</b>   | <b>77.6</b>    | <b>98.4</b>  | <b>127.5</b> | <b>138.3</b> | <b>441.8</b> | <b>96.4</b>    | <b>141.9</b> | <b>176.5</b> | <b>195.0</b> | <b>609.8</b> | <b>740.3</b>   |
| General and administrative expenses     | 219.5          | 66.2           | 58.0         | 74.1         | 68.6         | 266.9        | 43.1           | 58.9         | 74.1         | 83.9         | 260.0        | 303.0          |
| Depreciation and amortization expense   | 40.4           | 10.3           | 9.3          | 20.7         | 27.8         | 68.1         | 12.5           | 12.7         | 13.1         | 13.6         | 51.9         | 55.9           |
| Professional fees                       | 16.8           | 8.7            | 5.2          | 10.4         | 7.6          | 31.9         | 4.8            | 6.9          | 7.6          | 7.6          | 27.0         | 31.6           |
| Advertising and marketing expenses      | 28.9           | 2.7            | 2.9          | 5.6          | 3.7          | 14.9         | 2.4            | 3.5          | 3.8          | 3.8          | 13.5         | 15.8           |
| Restructuring expenses                  | 0.2            | 1.4            | 0.1          | 0.1          | 0.0          | 1.6          | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0            |
| <b>Total operating expenses</b>         | <b>305.8</b>   | <b>89.3</b>    | <b>75.5</b>  | <b>74.0</b>  | <b>108.3</b> | <b>347.1</b> | <b>62.8</b>    | <b>82.0</b>  | <b>98.7</b>  | <b>108.9</b> | <b>352.4</b> | <b>406.3</b>   |
| <b>Income (loss) from operations</b>    | <b>(49.2)</b>  | <b>(11.7)</b>  | <b>22.9</b>  | <b>53.5</b>  | <b>30.0</b>  | <b>94.7</b>  | <b>33.6</b>    | <b>59.9</b>  | <b>77.8</b>  | <b>86.1</b>  | <b>257.3</b> | <b>334.0</b>   |
| Other income, net                       | 0.3            | 0.2            | 0.1          | (1.1)        | 14.7         | 13.9         | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          | 0.0            |
| Interest expense                        | (28.0)         | (7.9)          | (7.0)        | (4.8)        | (2.0)        | (21.7)       | (4.4)          | (4.4)        | (4.4)        | (4.4)        | (17.4)       | (17.4)         |
| <b>Loss before income tax provision</b> | <b>(77.1)</b>  | <b>(19.4)</b>  | <b>16.0</b>  | <b>47.6</b>  | <b>42.7</b>  | <b>86.9</b>  | <b>29.3</b>    | <b>55.5</b>  | <b>73.4</b>  | <b>81.7</b>  | <b>239.9</b> | <b>316.6</b>   |
| Income tax provision                    | 3.1            | 6.2            | (1.0)        | (1.2)        | (4.2)        | (0.2)        | 0.0            | 0.0          | 0.0          | 0.0          | 0.0          | 15.0           |
| Income tax %                            | -4.0%          | -32.0%         | -6.3%        | -2.5%        | -9.8%        | -0.2%        | NM             | NM           | NM           | NM           | 0.0%         | 0.0%           |
| <b>Net income (loss)</b>                | <b>(74.0)</b>  | <b>(13.2)</b>  | <b>15.0</b>  | <b>46.4</b>  | <b>38.5</b>  | <b>86.7</b>  | <b>29.3</b>    | <b>55.5</b>  | <b>73.4</b>  | <b>81.7</b>  | <b>239.9</b> | <b>331.6</b>   |
| EBITDA                                  | 55.3           | 17.6           | 52.9         | 95.0         | 92.2         | 257.7        | 56.1           | 82.6         | 102.9        | 109.6        | 351.2        | 444.9          |
| <b>Adjusted EBITDA</b>                  | <b>167.2</b>   | <b>44.3</b>    | <b>65.6</b>  | <b>85.4</b>  | <b>94.4</b>  | <b>289.7</b> | <b>78.6</b>    | <b>97.6</b>  | <b>117.9</b> | <b>132.1</b> | <b>426.2</b> | <b>534.9</b>   |
| <b>Free cash flow</b>                   | <b>21.7</b>    | <b>18.5</b>    | <b>27.2</b>  | <b>44.8</b>  | <b>56.7</b>  | <b>127.2</b> | <b>39.3</b>    | <b>45.2</b>  | <b>65.6</b>  | <b>69.8</b>  | <b>219.8</b> | <b>317.5</b>   |
| Cap Ex. PP&E                            | 8.2            | 1.0            | 0.8          | 5.0          | 1.2          | 8.0          | 4.0            | 4.0          | 6.0          | 5.0          | 19.0         | 22.5           |
| Cap Ex. Software                        | 21.0           | 8.0            | 12.3         | 11.4         | 11.0         | 42.7         | 11.0           | 16.0         | 16.0         | 16.0         | 59.0         | 65.0           |
| Fully diluted shares outstanding        | 85.1           | 85.6           | 84.1         | 83.7         | 85.3         | 84.7         | 85.6           | 85.8         | 86.1         | 86.3         | 85.9         | 88.3           |
| <b>MARGIN ANALYSIS</b>                  |                |                |              |              |              |              |                |              |              |              |              |                |
| <b>Gross margin</b>                     | <b>48.5%</b>   | <b>52.2%</b>   | <b>53.9%</b> | <b>64.8%</b> | <b>69.4%</b> | <b>60.7%</b> | <b>57.5%</b>   | <b>58.5%</b> | <b>66.0%</b> | <b>71.0%</b> | <b>64.0%</b> | <b>64.3%</b>   |
| General and administrative expenses     | 16.1%          | 16.5%          | 11.4%        | 13.5%        | 12.8%        | 13.4%        | 9.0%           | 8.5%         | 9.7%         | 11.0%        | 9.6%         | 9.6%           |
| Depreciation and amortization expense   | 3.0%           | 2.6%           | 1.8%         | 3.8%         | 5.2%         | 3.4%         | 2.6%           | 1.8%         | 1.7%         | 1.8%         | 1.9%         | 1.8%           |
| Professional fees                       | 1.2%           | 2.2%           | 1.0%         | 1.9%         | 1.4%         | 1.6%         | 1.0%           | 1.0%         | 1.0%         | 1.0%         | 1.0%         | 1.0%           |
| Advertising and marketing expenses      | 2.1%           | 0.7%           | 0.6%         | 1.0%         | 0.7%         | 0.7%         | 0.5%           | 0.5%         | 0.5%         | 0.5%         | 0.5%         | 0.5%           |
| Restructuring expenses                  | 0.0%           | 0.3%           | 0.0%         | 0.0%         | 0.0%         | 0.1%         | 0.0%           | 0.0%         | 0.0%         | 0.0%         | 0.0%         | 0.0%           |
| <b>Operating expenses</b>               | <b>22.4%</b>   | <b>22.2%</b>   | <b>14.9%</b> | <b>13.5%</b> | <b>20.1%</b> | <b>17.4%</b> | <b>13.1%</b>   | <b>11.8%</b> | <b>12.9%</b> | <b>14.3%</b> | <b>13.1%</b> | <b>12.9%</b>   |
| <b>Net income</b>                       | <b>(5.4%)</b>  | <b>3.3%</b>    | <b>5.5%</b>  | <b>6.7%</b>  | <b>7.5%</b>  | <b>5.9%</b>  | <b>9.8%</b>    | <b>9.6%</b>  | <b>11.6%</b> | <b>12.7%</b> | <b>11.1%</b> | <b>12.6%</b>   |
| EBITDA, % of gross revenue              | 4.0%           | 4.4%           | 10.4%        | 17.4%        | 17.1%        | 12.9%        | 11.7%          | 11.9%        | 13.5%        | 14.4%        | 13.0%        | 14.1%          |
| EBITDA, % of net revenue                | 31.6%          | 29.8%          | 35.9%        | 43.4%        | 47.3%        | 39.8%        | 46.9%          | 40.2%        | 44.1%        | 48.1%        | 44.8%        | 46.4%          |
| Free cash flow, % of net revenue        | 4.1%           | 12.4%          | 14.9%        | 22.8%        | 28.4%        | 17.5%        | 23.4%          | 18.7%        | 24.5%        | 25.4%        | 23.1%        | 27.6%          |
| <b>YEAR/YEAR % CHANGE</b>               |                |                |              |              |              |              |                |              |              |              |              |                |
| <b>Gross revenue</b>                    | <b>78.3%</b>   | <b>67.9%</b>   | <b>44.4%</b> | <b>44.9%</b> | <b>34.6%</b> | <b>45.8%</b> | <b>19.2%</b>   | <b>36.8%</b> | <b>39.6%</b> | <b>41.9%</b> | <b>35.4%</b> | <b>17.0%</b>   |
| Network fees                            | 52.2%          | 35.0%          | 18.8%        | 11.9%        | 33.5%        | 51.0%        | 23.0%          | 39.0%        | 41.6%        | 44.3%        | 38.0%        | 14.8%          |
| <b>Net revenue</b>                      | <b>68.9%</b>   | <b>NM</b>      | <b>NM</b>    | <b>NM</b>    | <b>36.6%</b> | <b>37.5%</b> | <b>12.7%</b>   | <b>32.8%</b> | <b>35.9%</b> | <b>37.7%</b> | <b>30.9%</b> | <b>21.0%</b>   |
| <b>Gross profit</b>                     | <b>(3.5%)</b>  | <b>64.1%</b>   | <b>34.8%</b> | <b>NM</b>    | <b>78.0%</b> | <b>72.2%</b> | <b>24.3%</b>   | <b>44.2%</b> | <b>38.4%</b> | <b>41.0%</b> | <b>38.0%</b> | <b>21.4%</b>   |
| <b>Net revenue</b>                      | <b>68.9%</b>   | <b>NM</b>      | <b>NM</b>    | <b>NM</b>    | <b>36.6%</b> | <b>37.5%</b> | <b>12.7%</b>   | <b>32.8%</b> | <b>35.9%</b> | <b>37.7%</b> | <b>30.9%</b> | <b>21.0%</b>   |
| <b>Operating expenses</b>               | <b>35.0%</b>   | <b>(1.7%)</b>  | <b>10.9%</b> | <b>15.3%</b> | <b>31.0%</b> | <b>13.5%</b> | <b>(29.7%)</b> | <b>8.6%</b>  | <b>33.4%</b> | <b>0.6%</b>  | <b>1.5%</b>  | <b>15.3%</b>   |
| <b>Income from operations</b>           | <b>(14.6%)</b> | <b>(73.1%)</b> | <b>NM</b>    | <b>NM</b>    | <b>NM</b>    | <b>NM</b>    | <b>NM</b>      | <b>NM</b>    | <b>45.4%</b> | <b>NM</b>    | <b>NM</b>    | <b>29.8%</b>   |
| EBITDA                                  | NM             | NM             | 72.9%        | NM           | NM           | NM           | NM             | 56.1%        | 8.3%         | 18.9%        | 36.3%        | 26.7%          |
| <b>Adjusted EBITDA</b>                  | <b>90.4%</b>   | <b>99.5%</b>   | <b>45.1%</b> | <b>53.0%</b> | <b>NM</b>    | <b>73.3%</b> | <b>77.5%</b>   | <b>48.8%</b> | <b>38.1%</b> | <b>40.0%</b> | <b>47.1%</b> | <b>25.5%</b>   |
| <b>Free cash flow</b>                   | <b>NM</b>      | <b>NM</b>      | <b>75.5%</b> | <b>95.6%</b> | <b>NM</b>    | <b>NM</b>    | <b>NM</b>      | <b>66.3%</b> | <b>46.3%</b> | <b>23.1%</b> | <b>72.8%</b> | <b>44.4%</b>   |

Source: Company reports and Truist Securities estimates



Shift4 Payments  
Condensed Annual & Quarterly Balance Sheet  
(\$ in Millions, Except Per-Share)

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Last Updated 4/3/2023

| FY: DECEMBER  | 2021A          | 1Q22A          | 2Q22A          | 3Q22A          | 4Q22A          | 2022A          | 1Q23E          | 2Q23E          | 3Q23E          | 4Q23E          | 2023E          | 2024E          |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| <b>Assets</b>   |                |                |                |                |                |                |                |                |                |                |                |                |
| Cash  | 1,231.5        | 1,189.0        | 1,018.2        | 672.7          | 776.5          | 776.5          | 762.9          | 751.6          | 793.1          | 824.0          | 824.0          | 1,022.9        |
| Accounts receivable, net of allowance for doubtful accounts | 205.9          | 223.0          | 251.3          | 262.2          | 195.0          | 195.0          | 205.0          | 296.4          | 341.6          | 366.2          | 366.2          | 448.1          |
| Contract assets, net  | 0.3            | 0.3            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Inventory   | 3.5            | 2.9            | 2.3            | 5.9            | 4.8            | 4.8            | 4.8            | 4.8            | 4.8            | 4.8            | 4.8            | 4.8            |
| Prepaid assets and other current assets                     | 12.4           | 12.9           | 12.1           | 19.9           | 15.4           | 15.4           | 14.2           | 13.3           | 21.9           | 16.9           | 16.9           | 17.8           |
| <b>Total current assets</b>                                 | <b>1,453.6</b> | <b>1,428.1</b> | <b>1,283.9</b> | <b>960.7</b>   | <b>991.7</b>   | <b>991.7</b>   | <b>986.9</b>   | <b>1,066.2</b> | <b>1,161.5</b> | <b>1,212.0</b> | <b>1,212.0</b> | <b>1,493.6</b> |
| Goodwill  | 537.7          | 627.0          | 627.1          | 777.3          | 735.0          | 735.0          | 735.0          | 735.0          | 735.0          | 735.0          | 735.0          | 735.0          |
| Other intangible assets, net                                | 188.5          | 213.0          | 219.0          | 561.7          | 610.7          | 610.7          | 605.1          | 599.4          | 593.4          | 587.3          | 587.3          | 562.2          |
| Capitalized acquisition costs, net                          | 35.1           | 35.3           | 36.6           | 35.2           | 36.1           | 36.1           | 44.9           | 58.7           | 72.4           | 86.0           | 86.0           | 141.2          |
| Equipment under lease                                       | 58.4           | 60.0           | 65.2           | 70.5           | 80.7           | 80.7           | 87.6           | 100.5          | 113.2          | 125.8          | 125.8          | 182.7          |
| Property, plant and equipment, net                          | 18.4           | 18.1           | 17.7           | 21.4           | 22.3           | 22.3           | 25.7           | 29.0           | 34.4           | 38.7           | 38.7           | 58.4           |
| Other noncurrent assets                                     | 50.9           | 50.6           | 50.1           | 58.9           | 77.5           | 77.5           | 77.5           | 77.5           | 77.5           | 77.5           | 77.5           | 77.5           |
| <b>Total assets</b>   | <b>2,342.6</b> | <b>2,432.1</b> | <b>2,299.6</b> | <b>2,485.7</b> | <b>2,554.0</b> | <b>2,554.0</b> | <b>2,562.7</b> | <b>2,666.2</b> | <b>2,787.4</b> | <b>2,862.4</b> | <b>2,862.4</b> | <b>3,250.6</b> |
| <b>Liabilities &amp; Members' Equity</b>                    |                |                |                |                |                |                |                |                |                |                |                |                |
| Current portion of long-term debt                           | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            | 0.0            |
| Accounts payable  | 121.1          | 137.3          | 155.2          | 177.1          | 166.7          | 166.7          | 157.6          | 206.2          | 246.0          | 225.2          | 225.2          | 276.5          |
| Accrued expenses and other current liabilities              | 42.9           | 95.2           | 97.3           | 86.6           | 80.0           | 80.0           | 104.7          | 107.0          | 95.3           | 88.0           | 88.0           | 92.4           |
| Current lease liabilities                                   | 4.8            | 4.4            | 4.1            | 4.6            | 5.3            | 5.3            | 5.3            | 5.3            | 5.3            | 5.3            | 5.3            | 5.3            |
| Deferred revenue  | 15.0           | 21.9           | 18.7           | 20.3           | 16.3           | 16.3           | 22.4           | 19.2           | 20.8           | 16.7           | 16.7           | 16.9           |
| <b>Total current liabilities</b>                            | <b>183.8</b>   | <b>258.8</b>   | <b>275.3</b>   | <b>288.6</b>   | <b>268.3</b>   | <b>268.3</b>   | <b>290.1</b>   | <b>337.7</b>   | <b>367.3</b>   | <b>335.2</b>   | <b>335.2</b>   | <b>391.1</b>   |
| Long-term debt  | 1,738.5        | 1,735.9        | 1,737.8        | 1,739.8        | 1,741.9        | 1,741.9        | 1,741.9        | 1,741.9        | 1,741.9        | 1,741.9        | 1,741.9        | 1,741.9        |
| Deferred tax liability                                      | 0.3            | 0.4            | 1.2            | 9.3            | 18.6           | 18.6           | 0.4            | 1.2            | 9.4            | 18.8           | 18.8           | 19.0           |
| Noncurrent lease liabilities                                | 17.9           | 16.6           | 16.0           | 15.9           | 18.1           | 18.1           | 18.1           | 18.1           | 18.1           | 18.1           | 18.1           | 18.1           |
| Other noncurrent liabilities                                | 2.4            | 2.2            | 1.9            | 11.3           | 26.5           | 26.5           | 2.3            | 2.0            | 11.9           | 27.8           | 27.8           | 28.4           |
| <b>Total liabilities</b>                                    | <b>1,942.9</b> | <b>2,013.9</b> | <b>2,032.2</b> | <b>2,064.9</b> | <b>2,073.4</b> | <b>2,073.4</b> | <b>2,052.8</b> | <b>2,100.9</b> | <b>2,148.6</b> | <b>2,141.8</b> | <b>2,141.8</b> | <b>2,198.5</b> |
| Total members' equity                                       | 399.7          | 418.2          | 267.4          | 420.8          | 480.6          | 480.6          | 509.9          | 565.4          | 638.8          | 720.5          | 720.5          | 1,052.1        |
| <b>Total liabilities and equity</b>                         | <b>2,342.6</b> | <b>2,432.1</b> | <b>2,299.6</b> | <b>2,485.7</b> | <b>2,554.0</b> | <b>2,554.0</b> | <b>2,562.7</b> | <b>2,666.2</b> | <b>2,787.4</b> | <b>2,862.4</b> | <b>2,862.4</b> | <b>3,250.6</b> |

Source: Company reports and Truist Securities estimates

## Company Description

Shift4 Payments, Inc. (FOUR) is a next-gen merchant processor with omnichannel capabilities. Two key differentiators: 1) Shift4 is one of just three primary competitors in the hospitality vertical, and 2) Shift4's newer gateway capability is less typical of merchant processors and enables end-to-end processing, enabling Shift4 to displace stand-alone gateway providers across its merchant acquirer base.

## Investment Thesis

We rate FOUR a Buy. Our bullish view on Shift4 reflects what we see as a large, relatively open-ended opportunity to convert \$150 billion of low-yielding, low-margin gateway volume into higher yielding, more scalable end-to-end volume. We estimate the company penetrated just below 30% of this opportunity through year-end 2021. This implies multiple years of double-digit % organic revenue growth, in our opinion. In addition, given the scalability of end-to-end processing, and the possibility the company may ultimately stand up its own back-end, we think EBITDA margin can press into the high-40%s over the next several years.

## Valuation and Risks

Our \$87 price target assumes FOUR will trade at 16.1x estimated 2024 EBITDA, roughly in line with the shares' current estimated 2023 valuation. FOUR currently commands a nearly 55% estimated 2024 EV/EBITDA premium to the Legacy processors in our universe. We believe this premium is justified by our expectation that Shift4 will post meaningfully above-avg organic revenue, EBITDA, and FCF growth through the cycle, powered by the secular shift to integrated POS payments and software, and resulting share/price gains. Unlike Legacy FinTechs, which we think are cannibalizing existing high-yield revenue, Shift4 is upgrading proprietary software-integrated technology, evolving profitable go-to-market and expanding TAM.

Risks to our rating and price target: 1) limited visibility to timing of end-to-end conversions; 2) duration of and depth of COVID-19 disruption; 3) well-positioned legacy and next-gen competitors; 4) ability to innovate as POS complexity increases; and 5) larger than average exposure to hospitality vertical which could be more impacted than the average merchant if COVID-19 impact extends.

## Companies Mentioned in This Note

**Fiserv, Inc.** (FISV, \$113.03, Hold, Andrew Jeffrey)

**Shift4 Payments, Inc.** (FOUR, \$74.18, Buy, Andrew Jeffrey)

**Global Payments Inc.** (GPN, \$105.24, Buy, Andrew Jeffrey)

## Analyst Certification

I, Andrew W. Jeffrey, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company(ies) and its (their) securities. I also certify that I have not been, am not, and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendation(s) in this report.

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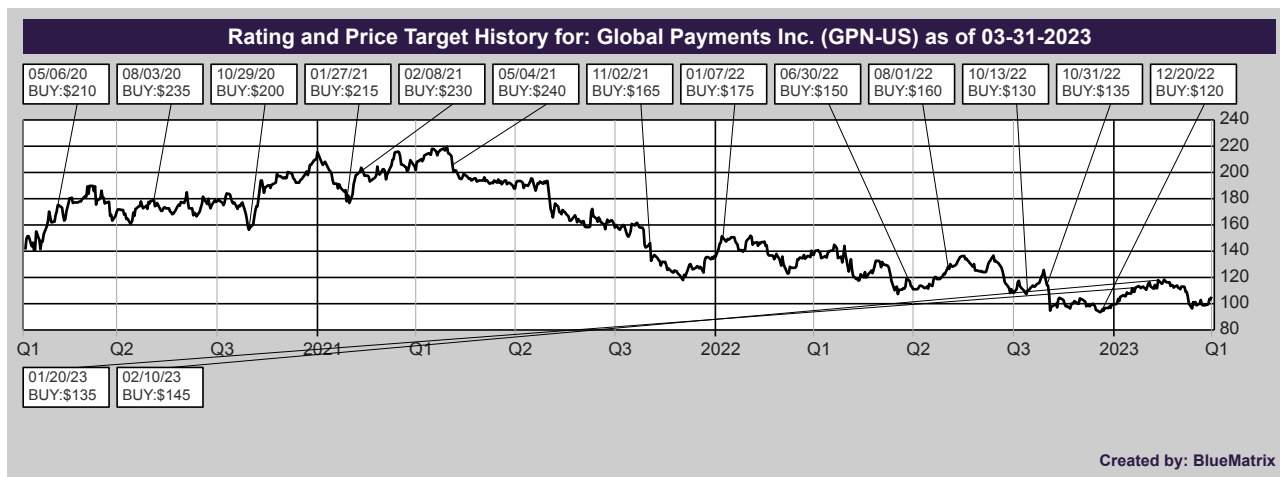
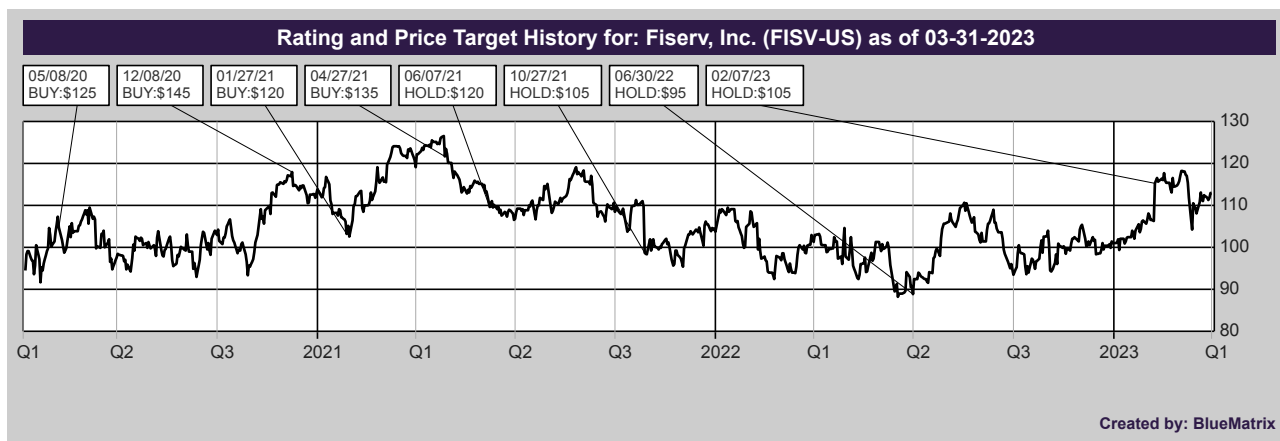
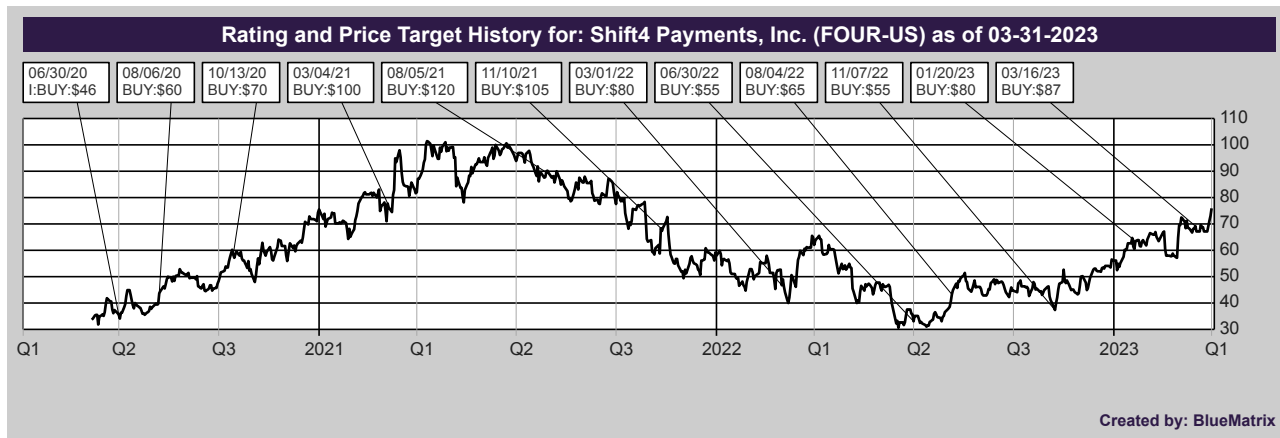
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|-------------------|-------|---------|---|-------|---------|
| Rating            | Count | Percent | Rating                                    | Count | Percent |
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| Hold              | 242   | 34.23%  | Hold                                      | 33    | 13.64%  |
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