

Initiated 2026-09-28 (re-initiation; prior report `initiation-2026-09-25.md`) · Price \$37.48 (intraday 2026-09-28, stockanalysis.com) · Mkt cap \$2.96bn (\$3.44bn with preferred as converted) · Financials / payment processing · Model: verified

Rating: Buy — Conviction: Low

Shift4 is still growing fast: Q2 payment volume +22%, organic GRLNF +11%. Even on filed GAAP numbers, after stock comp, deal costs and every capitalized cost, the base case sits above today's price with a 22% multiple de-rating built in. The call is levered: debt is ~5.4x FY2025 EBITDA on the model basis, so the bear case values the equity at zero and the result is sensitive to the discount rate.

Conviction tests (3a-v-c): T1 fail (Buy → Hold at +1pp: base return +34% → +10%) · T2 pass (Gordon +42%, exit +27%) · T3 pass · T4 pass

This is a much weaker Buy than on 2026-09-25. That model's aggregator EBITDA was 7% above the filed figure (\$831mm vs \$773mm) and missed most capitalized spending; rebuilt from the 10-K, base return falls from +122% to +34%.

MODEL VALUE RANGE VS PRICE



Business overview

Shift4 bundles point-of-sale software, gateway and card acquiring for restaurants, hotels, stadiums, travel operators and retailers. Gross revenue was \$4,180mm in FY2025 and \$2,416mm in H1 2026 (+33%, helped by Global Blue, the tax-free-shopping business acquired July 2025). The company guides on gross revenue less network fees (GRLNF): \$624mm in Q2 (+51%, +11% organic), of which payments-based GRLNF was \$402mm.

Three variables drive earnings:

- Payment volume: \$61bn in Q2, +22%.
- The blended take on that volume: payments GRLNF ÷ volume ≈ 66bp in Q2 (computed from the release).
- How much of GRLNF survives as cash profit. Adjusted EBITDA was 46% of GRLNF in Q2, but GAAP EBITDA was 18% lower (\$238mm vs \$284mm).

Competition

- **Rivals.** Toast, Fiserv's Clover and Block's Square in restaurants and hospitality; Adyen and Stripe for enterprise and international merchants.
- **Where pressure shows first.** In the take rate (~66bp) and organic GRLNF growth (+11% in Q2) before volume. Mizuho (2026-09-24) reads the H2 2026 guide as only ~9–13% growth. No competitor share datapoint was verified this session.

- **Valuation.** The market pays for net-cash software growth (Toast) and heavily discounts levered acquirers (Fiserv).

Company (stockanalysis, 2026-09-28)	Forward P/E	EV/EBITDA	P/FCF	52-week change
Shift4	6.7x	7.9x	6.8x	-53%
Fiserv	6.3x	6.7x	6.3x	-64%
Global Payments	5.9x	9.0x	27.2x	+1%
Toast	19.8x	32.9x	30.2x	-19%

Bull case

1. **Volume and international growth compound.** 2026 volume guidance is \$240–260bn (+15–24%), and Global Blue gives a cross-sell path into international merchants. Plays out if travel normalizes and volume growth stays near 20%. *Model: rev_growth*
2. **The gap between GAAP and adjusted EBITDA narrows.** Acquisition and restructuring costs were \$15mm and other adjustments \$31mm in Q2. If Global Blue integration costs roll off and synergies land, GAAP EBITDA margin moves from 17.3% (H1 2026) toward 22%. Plays out if the adjusted-to-GAAP bridge shrinks through 2027. *Model: ebitda_margin*
3. **The multiple holds instead of compressing.** The base case already assumes 8.0x, against today's 10.3x FY2025 on the model basis. Holding ~10x adds a lot to a thin equity slice. Plays out if two clean quarters restore trust in guidance. *Model: exit_ev_ebitda*

Bear case

1. **Travel and FX keep eroding the guide.** In August, 2026 GRLNF guidance was cut to \$2.48–2.53bn and non-GAAP EPS to \$5.15–5.35 (from \$5.50–5.70), citing ~\$25mm of Q3 Middle East travel disruption and ~\$20mm of FX. Plays out if the disruption lasts into 2027 or restaurant and hotel spending slows. *Model: rev_growth*
2. **Leverage turns small misses into equity wipeouts.** Debt is \$4,549mm at face against \$773mm of FY2025 EBITDA. Plays out if EBITDA stalls as the 0.90% converts refinance at ~6%. *Model: wacc*
3. **Cash earnings are thinner than adjusted earnings.** H1 2026 operating cash flow was \$197mm against \$518mm of adjusted EBITDA, and Q2 adjusted FCF was \$21mm. Capitalized spending, including customer-acquisition costs, runs at ~7–8% of revenue. Plays out if "one-time" costs recur and working capital keeps absorbing cash. *Model: ebitda_margin, capex_pct_rev, nwc_pct_rev*
4. **The payments sector stays cheap.** Fiserv at 6.7x EBITDA shows where the market prices a processor it has stopped trusting. Plays out if the sector's de-rating proves structural. *Model: exit_ev_ebitda*

Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
EV/EBITDA, model basis (EV \$7,979mm = mkt cap incl. preferred as converted – cash + debt at face + TRA/NCI; GAAP EBITDA after stock comp)	10.3x FY2025 · ~9.5x H1 2026 annualized (est.)	EBITDA margin on gross revenue 13.6% (FY2023) to 18.5% (FY2025)	Fiserv 6.7x · Global Payments 9.0x · Toast 32.9x (aggregator basis)	model-inputs.json ; stockanalysis.com, 2026-09-28
Forward P/E (consensus adjusted EPS)	6.7x	n/a (unverified)	Fiserv 6.3x · Global Payments 5.9x · Toast 19.8x	stockanalysis.com, 2026-09-28
FCF yield (FY2025 operating cash flow \$634mm – capitalized investment ex-CAC \$261mm, ÷ Class A market cap)	12.6% (H1 2026 only \$57mm)	n/a	P/FCF: Fiserv 6.3x · Global Payments 27.2x · Toast 30.2x	FY2025 10-K cash flow; Q2 10-Q

Model-implied value range (from model-summary.json ; generic module, Gordon-growth DCF and exit-EV/EBITDA DCF, midpoints): Bear \$0.00 · Base \$50.31 · Bull \$121.54 per share, i.e. implied returns of –100.0% / +34.2% / +224.3% vs \$37.48. *These ranges show how*

the bull and bear drivers translate into value; they are not price targets.

- **What the price implies.** It sits three-quarters of the way from bear to base: a real chance of the bear plateau is priced, not the plateau itself.
- **Re-rating.** The exit method embeds a de-rating: 8.0x against 10.3x FY0 (−22%). The two methods differ by 12% (Gordon \$53.21, exit \$47.41). The Gordon method is higher, so it implies a terminal multiple above 8.0x and embeds less de-rating. The Buy holds on the exit method alone (+27%).
- **Floored bear.** Bear floors at \$0 on both methods, but it is not a bankruptcy case: bear FCF stays positive (\$23mm Y1, \$171mm Y5); 6x on a 16% margin just doesn't cover net debt and other claims. No harsher tail was run.

Balance sheet:

- Net leverage: 5.4x on the model basis (gross 5.9x); the base path falls to 4.4x in Year 1 and 2.3x by Year 5.
- Coverage: EBITDA covers interest 3.1x.
- Liquidity: \$356mm of cash at June 30, 2026, plus a \$550mm revolver. The July 2026 \$1bn term loan add-on pre-funds the converts.
- Nearest material maturity: \$633mm of converts, August 2027. Everything else is 2032–2033.
- Ratings: n/a (unverified); company pro forma leverage not re-verified.

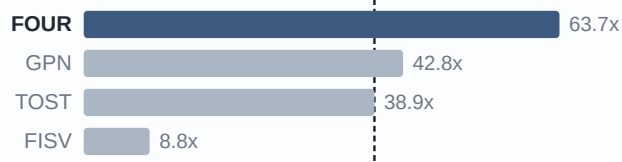
Model note: tier **full**, status **built**, verification **verified** (3,207 formula cells matched in LibreOffice). No unverified inputs. No assumptions without basis. Scenario consistency is **OK** on all 14 rows.

- **Sourcing.** Historicals from 10-K statements (EDGAR); market, debt and preferred facts from the Q2 2026 10-Q.
- **Preferred.** 12.74mm shares at the 1.2224 maximum conversion rate (valid below \$81.81); remaining dividends excluded.
- **WACC.** 9.25% = CAPM 8.23% plus a stated 1.0pp leverage premium, because the 5-year beta was measured at lower leverage.
- **EPS vs guidance.** Base Y1 EPS is \$1.16 GAAP, 78% below the \$5.15–5.35 non-GAAP guide. The guide excludes acquired-intangible amortization, stock comp and deal costs.
- **FCF vs guidance.** Base Y1 levered FCF (\$234mm) is half the \$465–475mm adjusted FCF guide, because the model charges stock comp, deal costs and capitalized customer-acquisition costs.

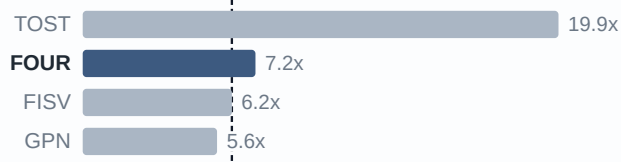
RELATIVE VALUE VS PEERS

Metric	FOUR	FISV	GPN	TOST	Peer median	vs median
P/E (TTM)	63.7x	8.8x	42.8x	38.9x	38.9x	+64%
P/E (forward)	7.2x	6.2x	5.6x	19.9x	6.2x	+16%
PEG	0.7x	0.9x	0.2x	0.9x	0.9x	−21%
EV/EBITDA (TTM)	8.1x	6.7x	8.9x	33.9x	8.9x	−9%
EV/Sales (TTM)	1.5x	2.5x	3.9x	2.4x	2.5x	−38%
P/B	5.1x	0.9x	0.9x	8.6x	0.9x	+436%
FCF yield	13.7%	16.1%	3.8%	3.2%	3.8%	+10.0pp

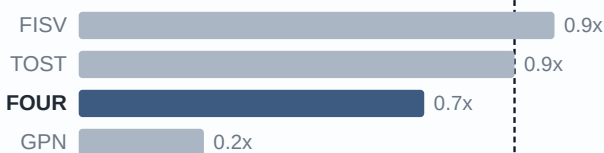
P/E (TTM)



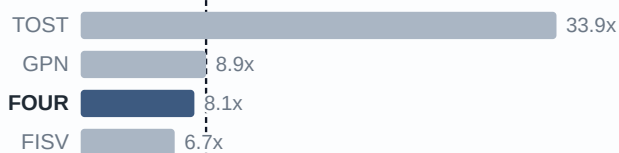
P/E (forward)



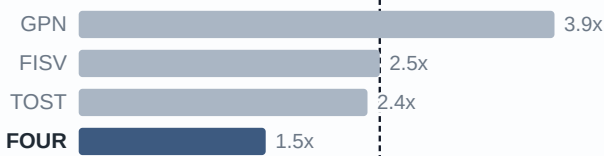
PEG



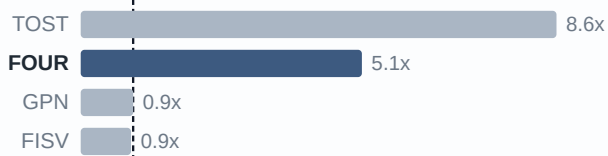
EV/EBITDA (TTM)



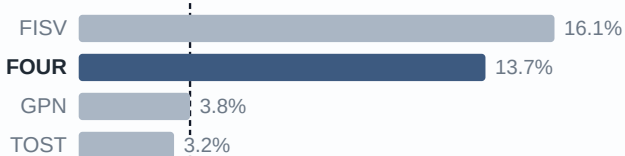
EV/Sales (TTM)



P/B



FCF yield



As of 2026-10-09. One source and one definition for every company: aggregator TTM and consensus-forward multiples, lease-inclusive EV. Not the model's own EV basis (see the report's valuation table). Quotes taken 11:40-11:58 ET on 2026-10-09 with the market open, so multiples reflect intraday prices. Dashed line = peer median. Source: [stockanalysis.com /stocks/<ticker>/statistics/](https://stockanalysis.com/stocks/<ticker>/statistics/), fetched 2026-10-09.

Notes. Trailing GAAP P/E for Shift4 and Global Payments sits far above their forward P/E on adjusted EPS.

Scenario stress test

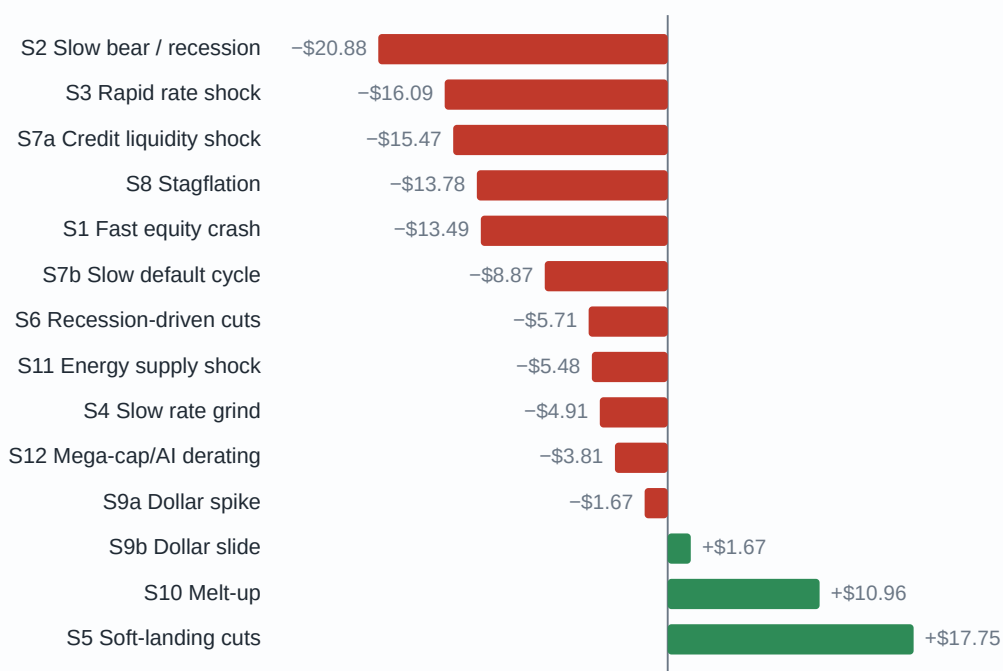
Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	Levered, heavily shorted equity de-rates; volumes unaffected	Med	-\$13.49
S2 Slow bear / recession	-	Restaurant, hotel and travel spending falls, amplified by operating and financial leverage. Under half of Base – Bear (\$50.31) because it lasts two years, while the bear resets growth, margin and multiple permanently	High	-\$20.88
S3 Rapid rate shock	-	Floating term loan and refinancing costs rise; a levered equity bears the discount-rate move	High	-\$16.09
S4 Slow rate grind	-	Multi-year refinancing drag and a higher discount rate	Low	-\$4.91
S5 Soft-landing cuts	+	Lower rates help the levered equity and consumer spending	High	+\$17.75
S6 Recession-driven cuts	-	Consumer spending falls faster than rate cuts help	Low	-\$5.71
S7a Credit liquidity shock	-	High-yield issuer: spreads gap wider and the equity de-rates; no unfunded maturity before 2032	High	-\$15.47
S7b Slow default cycle	-	Merchant failures raise losses; its own credit spread widens	Med	-\$8.87
S8 Stagflation	-	Real discretionary spending and a higher discount rate outweigh nominal volume	Med	-\$13.78

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S9a Dollar spike	-	Global Blue and European revenue translate lower (FX already cost ~\$20mm of 2026 GRLNF)	Low	-\$1.67
S9b Dollar slide	+	Mirror of S9a	Low	+\$1.67
S10 Melt-up	+	High-beta, heavily shorted equity re-rates with risk appetite	Med	+\$10.96
S11 Energy supply shock	-	Middle East travel disruption already cut guidance; oil hits travel spending	Low	-\$5.48
S12 Mega-cap/AI derating	-	Fintech multiples de-rate with growth tech	Low	-\$3.81

Currently active/on watch per the playbook: `state.md` lists S3 as partially active. The macro log has shown all three S3 legs met since 2026-09-24 (10Y 5.17% on 09-25). S8, S10 and S11 are on watch, and S11 is already visible in Shift4's guidance.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if:

- H2 2026 operating cash flow recovers to the FY2025 run rate (~\$300mm a half); and
- GAAP EBITDA margin gets back above 18.5% of gross revenue; and
- Organic GRLNF growth holds $\geq 10\%$.

Downgrades if:

- 2026 guidance is cut again; or
- GAAP EBITDA margin stays $\leq 17\%$; or
- Organic GRLNF growth falls below $\sim 8\%$; or
- Net debt rises from \$4.2bn.

Watch items

- **W1:** Organic GRLNF growth and volume, against +11% and \$61bn in Q2. Source: Q3 2026 release (early November 2026). *Model: rev_growth*
- **W2:** GAAP EBITDA (income from operations + D&A) as a share of gross revenue, against 17.3% in H1 2026 and the 18.5% base for 2026. Source: Q3 2026 10-Q. *Model: ebitda_margin*
- **W3:** Operating cash flow and adjusted FCF against the \$465–475mm 2026 guide (H1 OCF \$197mm). Source: Q4 2026 release (late February 2027). *Model: capex_pct_rev, nwc_pct_rev*
- **W4:** Travel revenue (Global Blue, hospitality) against the ~\$25mm Q3 Middle East drag in guidance. Source: Q3 2026 call. *Model: rev_growth*

Sources

- Shift4 FY2025 10-K statements of operations, cash flows, balance sheets and share counts (EDGAR R5, R9, R3, R4; acc. 0001794669-26-000010) — <https://www.sec.gov/Archives/edgar/data/1794669/000179466926000010/R5.htm> — accessed 2026-09-28
- Shift4 FY2024 10-K balance sheet (EDGAR R3; acc. 0001794669-25-000011) — <https://www.sec.gov/Archives/edgar/data/1794669/000179466925000011/R3.htm> — accessed 2026-09-28
- Shift4 Q2 2026 10-Q (acc. 0001794669-26-000045) — <https://www.sec.gov/Archives/edgar/data/1794669/000179466926000045/four-20260630.htm> — accessed 2026-09-28
- Shift4 Q2 2026 earnings release, Ex. 99.1 — <https://www.sec.gov/Archives/edgar/data/1794669/000179466926000042/ex991q2.htm> — accessed 2026-09-28
- EDGAR submissions index (no filings after 2026-08-14) — <https://data.sec.gov/submissions/CIK0001794669.json> — accessed 2026-09-28
- Series A mandatory convertible preferred pricing release — <https://investors.shift4.com/news-events/press-releases/detail/255/shift4-announces-upsize-and-pricing-of-offering-of-series-a-mandatory-convertible-preferred-stock> — accessed 2026-09-28
- Shift4 statistics — <https://stockanalysis.com/stocks/four/statistics/> — accessed 2026-09-28
- Peer statistics: <https://stockanalysis.com/stocks/gpn/statistics/> · <https://stockanalysis.com/stocks/tost/statistics/> · <https://stockanalysis.com/stocks/fi/statistics/> — accessed 2026-09-28
- Shift4 Payments (FOUR): A Stock Priced for Trouble (Yahoo Finance) — <https://finance.yahoo.com/markets/stocks/articles/shift4-payments-four-stock-priced-231125167.html> — accessed 2026-09-28
- Daily macro log, 2026-09-24/25 (10Y 5.17–5.18%, S3 legs) — `logs/macro-2026-09.md`

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.