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INVESTMENT TRENDS

Mobile bill payment should grow

Companies in field positioned to rise

By **KATHLEEN GALLAGHER**
 kgallagher@journalsentinel.com

More and more, people are pulling credit and debit cards out of their pockets rather than cash.

Meanwhile, online banking and bill payment is growing, and people are beginning to use smartphones and other mobile devices for transactions.

While payments initiated from a mobile device still make up a small percentage of bill payments, they have been gaining momentum, according to a consumer bill payment practices survey conducted in May 2012 by Fiserv Inc. The survey found that 8 million, or 8% of online households, paid at least one monthly bill this way, up from 6% in 2011.

Combine that with growing adoption around the world of all forms of electronic transactions, and it makes for a growing electronic payment processing industry, said Dave Hackfort, a vice president and portfolio manager at North Star Asset Management Inc. in Menasha.

Companies in this industry tend to have recurring revenue and stable, predictable sales, Hackfort said. They have relatively low capital expenditures, so they can pro-

duce good cash flow growth and reinvest dividends or buy back stock, he said.

The companies weathered the recession better than most.

"They benefit from economic growth, but even in a down economy, they can perform well because the number of bills being processed doesn't change," Hackfort said.

Fiserv Inc. (FISV, \$86.79), Brookfield, and **Fidelity National Information Services** (FIS, \$42.72), Jacksonville, Fla., both provide technology that helps the financial industry process electronic payments, accounts and other information. They also layer in other services as they develop new products, Hackfort said.

Fiserv, for example, acquired CashEdge in June 2011 for \$465 million, expanding its presence in an area where payments are made electronically from one person to another or from one small business to another over computers and smartphones.

"The trend is that they're able to continue to add on additional services to help grow revenue and leverage fixed costs," Hackfort said.

Global Payments Inc. (GPN, \$46.90), Atlanta, provides electronic payment transaction processing services.

ABOUT THIS

The Journal Sentinel focuses on one Wisconsin money manager or analyst in this weekly feature, looking at a trend that helps investment pros make their decisions.

"They make a little bit of money off many of the billions of transactions that go on each day," Hackfort said.

Global Payments has a fixed-cost infrastructure so that incremental volume increases quickly translate into stronger profits, he said. The company is well-positioned domestically and has a leg up internationally.

Global Payments has a joint venture with the Hongkong and Shanghai Banking Corp. called Global Payments Asia-Pacific Limited. It is the only nondomestic payments processor operating in China that can process transactions in the local currency, Hackfort said.

China represents only about 5% of the company's business now, but that could grow to as much as 20% in seven to 10 years, he said.

The biggest risk with owning Global Payments shares is that economic weakness could slow the company's growth, Hackfort said.

The stock is trading in a 52-week range of \$39.37 to \$51.24. The shares have an attractive valuation and could trade as high as \$57 in the next 12 months, he said.



Hackfort

