

Wirecard

Price EUR42.51

First entry into the Americas via the acquisition of a Brazilian PSP

Fair Value EUR52 (+22%)

BUY-Top Picks

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 34.4
Market Cap (EURm)	5,252
Ev (BG Estimates) (EURm)	4,850
Avg. 6m daily volume (000)	551.7
3y EPS CAGR	31.6%

Wirecard has announced the acquisition of Brazilian online payment services provider Moip Pagamentos. This is WCD's first entry into the Americas. Although it may not be significant, this is a first step in the right direction (i.e. to reach broader markets in Latam). The group is now present in all continents in the world. We are maintaining our Buy rating and FV of EUR52 (Q1 Top Pick List).

FACTS

- Wirecard has acquired 100% of shares in Brazilian company Moip Pagamentos (based in Sao Paulo, employing more than 150 people and serving close to 100,000 customers in Brazil) from majority shareholder Ideiasnet (a venture capital fund) and a number of founders and managers who remain part of the management team. Over the past few years this fast-growing Internet PSP has developed a leading payment platform for small and medium sized retailers on Brazil, and is positioned in marketplaces and companies with direct sales with its innovative end-to-end solutions (automated on-boarding process, bundling of money flows from national acquiring networks, product portfolio featuring alternative payment processes). Through this acquisition, Wirecard should: 1/ reach broader markets in Latam, 2/ benefit from a reinforced technological product offering, 3/ roll out its payment and issuing product lines in Latin America, and 4/ continue its global expansion (America was the only continent where it was not present).
- In 2016e, consolidated revenues from Moip Pagamentos are expected to total EUR10m (EUR300m in annual TPV i.e. a 3% fee; lfl sales growth should be close to +25/+30% over the next few years) with EBITDA of EUR2.2m (margin of 22%, which should gradually reach WCD's level) and one-off integration costs of 0.5m. The transaction is to be paid for in cash for EUR23.5m, and further earn-outs could amount to EUR13.5m (depending on the overall financial performance of the acquired business in 2016-18e). The price tag represents 16.8x EBITDA 2016, i.e. in line with the ~17x ratio that is customary in the ecommerce segment. This acquisition is obviously not included in WCD's FY16 EBITDA guidance for EUR280-300m (current consensus of EUR293m).

ANALYSIS

- Wirecard boasts the best fundamentals in the sector thanks to its positioning in online (pure-player) and emerging markets. It is the only player to have looked for growth in e-commerce where it can be found, namely in Southeast Asia (28% of its sales). We believe the take-off in e-commerce should really start in western countries as of this year. Wirecard should benefit in Europe where it is the no. 2 player (after Worldpay). In contrast, we believed it could no longer remain outside the Americas. As such, we expected the group to make an acquisition or team up with a player in the region this year in North America or South America (both of which are attractive for e-commerce: 12% of all retail commerce is e-commerce in the US and 2% in Brazil) in order to obtain global presence. The acquisition of Moip Pagamentos is a first achievement. Even if it is not significant, this is a step in the right direction and Wirecard is now present in every continent in the world.
- Forecasts 2015-17e: we have updated our figures to take into account preliminary 2015 figures, the very likely consolidation date of Great Indian Retail Group (1st March 2016 vs. we previously integrated it as of 1st Nov. 2015) and that of Moip Pagamentos (22nd February 2016). We have therefore adjusted our FY16e revenue from EUR1,005.6m to EUR1,005.4m (+20.3% lfl), EBITDA from EUR304.3m to EUR303.0m (margin from 30.3% to 30.1%, +60bp) and current EBIT from EUR269.1m to EUR267.8m (margin from 26.8% to 26.6%, +80bp). As a result, the impact on our restated 2016-17e EPS sequence is non-significant (-0.4% on average: -0.7% in 2016e, and -0.1% in 2017e). We are forecasting a net cash position of EUR437.4m at end-2016e.

VALUATION

- Buy rating and FV of EUR52 maintained. Over FY16e: P/E of 23.3x vs. rest. EPS growth of +39.5%.

NEXT CATALYSTS

- FY 2015 financial statements: 7th April 2016.



Analyst :
Richard-Maxime Beaudoux
33(0) 1.56.68.75.61
rmbeaudoux@bryangarnier.com

Sector Team :
Thomas Coudry
Gregory Ramirez
Dorian Terral

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London	Paris	New York	Geneva	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	rue de Grenus 7	The Imperial Hotel
15 St. Botolph Street	75008 Paris	New York, NY 10022	CP 2113	Janpath
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Genève 1, CH 1211	New Delhi 110 001
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	Tel +4122 731 3263	Tel +91 11 4132 6062
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member	Fax+4122731 3243	+91 98 1111 5119
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