24th February 2016

TMT

Worldline

Price EUR20.30

Better-than-expected FY 2015 FCF generation and reassuring FY 2016 guidance

Fair Value EUR29 (+43%) **BUY-Top Picks**

Bloomberg	WLN FP
Reuters	WLN.PA
12-month High / Low (EUR)	24.7 / 16.5
Market Cap (EUR)	2,681
Ev (BG Estimates) (EUR)	2,358
Avg. 6m daily volume (000)	88.90
3y EPS CAGR	9.6%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-7.2%	-15.5%	-5.0%	-15.0%
Softw.& Comp.	-2.7%	-6.5%	8.1%	-6.6%
DJ Stoxx 600	-3.1%	-13.8%	-9.3%	-10.4%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	1,149	1,227	1,286	1,350
% change		*6.8%*	*4.8%*	*5.0%*
EBITDA	215	235	257	277
EBIT	170.3	174.9	200.6	217.4
% change		*2.7%*	*14.7%*	*8.4%*
Net income	114.5	122.9	141.7	154.4
% change		*7.4%*	*15.3%*	*8.9%*

	2014	2015e	2016e	2017e
Operating margin	14.8	14.3	15.6	16.1
Net margin	8.9	8.4	10.3	11.3
ROE	16.0	14.1	15.3	15.5
ROCE	29.9	32.9	38.7	44.4
Gearing	-32.3	-44.1	-56.3	-64.4

(EUR)	2014	2015e	2016e	2017e
EPS	0.87	0.91	1.05	1.14
% change	-	*4.9%*	*15.3%*	*8.9%*
P/E	23.4x	22.3x	19.3x	17.8x
FCF yield (%)	4.4%	4.7%	5.3%	6.3%
Dividends (EUR)	0.00	0.00	0.25	0.29
Div yield (%)	NM	NM	1.2%	1.4%
EV/Sales	2.2x	1.9x	1.7x	1.5x
EV/EBITDA	11.5x	10.0x	8.5x	7.4x
EV/EBIT	14.6x	13.5x	10.9x	9.4x

FY 2015 results were slightly better than expected (higher revenues, in line EBITDA margin, lower net income and far better FCF). Management provided its first 2016 targets excl. Equens (+3% in lfl sales, EBITDA margin of 20% and FCF of EUR135/140m). The group also announced a new alliance in commercial acquiring with KOMERČNÍ BANKA in the Czech Republic (around EUR20m in sales, good EBITDA margin). Following this earnings release and the reassuring 2016 guidance, we expect the share to catch up its underperformance vs. the CAC Mid & Small index of -6.8% YTD. We maintain our Buy rating and FV of EUR29. At our FV, 2016e EV/EBITDA (incl. Equens and excl. the French radar contract) would stand at 11.8x vs. 7.8x at yesterday's closing price, i.e. consistent with its positioning.

ANALYSIS

- **FY15 results were slightly better than expected.** Worldline reported FY15 sales of EUR1,227.0m, +6.8% Y/Y, including +4.4% lfl (+4.4% in Q4 despite the end of the UK technical car control contract, already known from its IPO). The order book was at EUR1.7bn (i.e. 1.5 years of sales) and EUR51m was billed to end clients via Atos (4.2% of its FY revenue). EBITDA came in at EUR235.3m, pointing to a margin of 19.2% (+50bp). After depreciation and amortisation, adjusted EBIT stood at EU174.9m, implying a margin of 14.3%. After non-recurring costs (EUR26.8m: staff reorganisation, rationalisation and associated costs, integration and acquisition costs, PPA and others), EBIT totalled EUR148.1m, with a margin at 12.1%. As such, attributable net profit came in at EUR103.4m (net margin of 8.4%), FCF at EUR128.5m (+12.3%) and the net cash position at EUR323.3m (vs. EUR264.5m at end-June 2015). The group's focus on acquisitions justified another year of no dividend payment (for 2015 results). **In all, annual results were slightly above guidance, the consensus and our forecasts.**

FY15 reported compared with BG ests., consensus and group's guidance

EURm	FY15 reported	BG ests.	Consensus	Guidance
Revenue	1,227.0	1,224.7	1,225.5	-
lfl growth Y/Y	*4.4%*	*4.3%*	*4.3%*	*4-5%*
EBITDA	235.3	235.1	235.5	-
EBITDA margin	*19.2%*	*19.2% (+50bp)*	*19.2% (+50bp)*	*~+50bp*
Current EBIT	174.9	183.7	-	-
Margin	*14.3%*	*15.0%*	-	-
Attributable net profit	103.4	114.5	-	-
FCF	128.5	120.5	125.1	120-125m
FCF/current EBIT	73.5%	65.6%	-	-

Sources: Company, BG ests, company consensus.

- **First 2016 guidance (excl. Equens):** +3% in lfl sales growth (underlying business growth of +8% and -5% from major e-government contract ends in 201; BG est. +2.6%), an 80bp improvement in EBITDA margin to 20.0% (vs. BG est. 19.7%) and FCF of EUR135/140m (incl. the exceptional cash-out linked to the acquisition costs related to Equens of ~EUR12m; BG est. EUR138m but without taking into account the exceptional cash-out).

- **What's new? 1/** As announced in Q3, Worldline has not been selected for renewal of the core IT system of the Radar contract (extended until June 2016) but has been retained for some modules such as the Internet payment engine for fines, and is well positioned for electronic parking offense management (BG: EUR5m retained over an originally EUR60m contract on a 12-month basis). **2/** Following the acquisition of VISA Europe by VISA Inc., Worldline will receive proceeds of EUR44.9m (it owned a 0.2% stake) comprising EUR33.4m in cash and 11.5m in preferred shares. **3/** As part of its expansion in Merchant Services and Commercial Acquiring, Worldline announced an agreement with KOMERČNÍ BANKA (subsidiary of Société Générale and a leading bank in the Czech Republic) to further develop product & services for local merchants. We estimate KB's revenue at ~EUR20m on a FY basis (strong growth) with an EBITDA margin above that of Worldline. It will be consolidated in Q2 (more details at its H1 earnings release).

- **Our scenario for Worldline stand-alone:** we have revised upwards our restated EPS sequence by 3.9% on average over 2016/17e. The next page shows our simulation incl. the end of the French radar contract and the integration of Equens.

VALUATION

- **Since the acquisition of Equens, Worldline will become the no. 1 PSP in Europe** (77% of its pro-forma sales derived from payment with a scale effect, 78% of recurring revenues) vs. no. 3 before. **Worldline is currently trading at 2016e EV/EBITDA of 7.8x** (with the consolidation of Equens as of mid-May 2016 and the end of the French radar contract), i.e. an **unjustified discount of 35% to payment processors evolving in the physical space (EV/EBITDA of 12x)**.
- We maintain our **Buy rating and Fair Value of EUR29 – Q1 Top Pick** (as a reminder, Equens and the end of the French radar contract are integrated into our valuation). **At our FV, the share would be at 11.8x 2016e EV/EBITDA 2016e, which is perfectly consistent with its positioning.**

NEXT CATALYSTS

- **Q1 2016 revenue:** on 20th April.

2015 sales and Ebitda breakdown by BU

EURm	Revenue	Y/Y lfl growth	EBITDA	Y/Y (lfl)
Merchant Services & Terminals	401.9	6.0%	19.4%	-180bp
Financial Processing & Software	413.8	2.8%	26.0%	80bp
Mobility & e-Transactional	411.3	4.4%	16.6%	270bp
Corporate costs			-1.5%	0bp
Group	**1,227.0**	**4.4%**	**19.2%**	**50bp**

Source : Company.

Simulation: Worldline with a consolidation of Equens as of mid-May 2016 + the end of the French radar contract

EURm	2016e	2017e	2018e	2019e
Revenue	1,454.2	1,617.1	1,694.3	1,775.4
EBITDA	284.1	321.4	348.7	374.5
Margin	*19.5%*	*19.9%*	*20.6%*	*21.1%*
Synergies	4.0	20.0	40.0	45.0
EBITDA after synergies	288.1	341.4	388.7	419.5
Margin	*19.8%*	*21.1%*	*22.9%*	*23.6%*
Implementation costs of	-16.0	-13.0	-11.0	-5
Reorganisation costs	-6.0	0	0	0
Current EBIT	207.3	252.3	295.6	335.9
Margin	*14.3%*	*15.6%*	*17.4%*	*18.9%*
EBIT	172.1	236.4	281.7	328.0
Margin	*11.8%*	*14.6%*	*16.6%*	*18.5%*
Financial income	-3.9	-2.5	-2.0	-1.5
Minority interests	-6.4	-15.2	-20.4	-26.1
Restated attrib. net income	139.0	163.1	189.1	212.3

Source : Bryan Garnier & Co. ests.

The impact of our simulation (it does not include KOMERČNÍ BANKA as we are waiting for more financial information) on our new restated EPS ests. would be **-2.3% in 2016e, +5.6% in 2017e, +11.8% in 2018e and +16.1% in 2019e** (vs. -4.3% in 2016e, +5.7% in 2017e, +11.9% in 2018e, +16.3% in 2019e previously).

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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
Beaufort House
15 St. Botolph Street
London EC3A 7BB
Tel: +44 (0) 207 332 2500
Fax: +44 (0) 207 332 2559
Authorised and regulated by the Financial Conduct Authority (FCA)

Paris
26 Avenue des Champs Elysées
75008 Paris
Tel: +33 (0) 1 56 68 75 00
Fax: +33 (0) 1 56 68 75 01
Regulated by the Financial Conduct Authority (FCA) and the Autorité de Contrôle prudential et de resolution (ACPR)

New York
750 Lexington Avenue
New York, NY 10022
Tel: +1 (0) 212 337 7000
Fax: +1 (0) 212 337 7002
FINRA and SIPC member

Geneva
rue de Grenus 7
CP 2113
Genève 1, CH 1211
Tel +4122 731 3263
Fax+4122731 3243
Regulated by the FINMA

New Delhi
The Imperial Hotel
Janpath
New Delhi 110 001
Tel +91 11 4132 6062
+91 98 1111 5119
Fax +91 11 2621 9062