

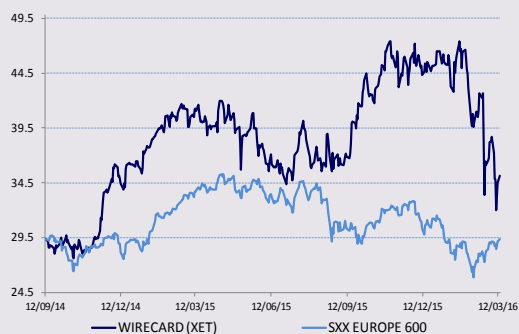
FOCUS
TMT CONFERENCE

15th March 2016

TMT

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 32.0
Market capitalisation (EURm)	4,343
Enterprise Value (BG estimates EURm)	3,941
Avg. 6m daily volume ('000 shares)	761.2
Free Float	94.0%
3y EPS CAGR	32.1%
Gearing (12/14)	-56%
Dividend yield (12/15e)	0.37%

YE December	12/14	12/15e	12/16e	12/17e
Revenue (EURm)	601.03	771.60	1,016	1,259
EBITA EURm)	150.4	198.7	270.8	341.2
Op.Margin (%)	25.0	25.8	26.6	27.1
Diluted EPS (EUR)	1.01	1.30	1.83	2.33
EV/Sales	6.23x	5.11x	3.88x	3.04x
EV/EBITDA	21.7x	17.3x	12.9x	9.9x
EV/EBITA	24.9x	19.8x	14.5x	11.2x
P/E	34.8x	27.0x	19.2x	15.1x
ROCE	27.6	21.7	24.0	26.7



¹ Hong Kong TV series based on the novel *The Count of Monte Cristo*, in which the background of the story is changed to Southern China during the Republican Era.

Wirecard

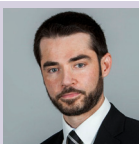
The Great Vendetta¹

Fair Value EUR52 (price EUR35.15)

BUY-Top Picks

During meetings with Wirecard at our conference, 90% of the time was spent discussing the Zatarra report following questions asked by investors and because management wanted to address this concern. The remainder of the time was spent on the buoyant business trend in e-commerce. Wirecard again stated that its 2016 EBITDA guidance of EUR280-300m is conservative. Buy rating – FV EUR52 (Q1 Top Pick).

- **The Zatarra Research report was the main topic addressed during meetings** between clients and Wirecard's representative Iris Stöckl, (VP Corporate Communications & Investor Relations). She explained to clients that this is not the first time the company has been attacked (it happened when it went from a small to a mid-sized company, and now that it is becoming a big one). A severe punishment should now be dealt so this type of attack can never happen again. The company has specialised lawyers and it seems that they are close to finding out who was behind the Zatarra report. Once this is known, Wirecard will finally be able to sue them. And when we look at short position trends, we believe a serious investigation should be carried out by the BaFin given the strong correlation between releases of reports against Wirecard and short attacks.
- **The group has no fear of losing any of its customers.** On the contrary, its clients and even some of its competitors have delivered messages of support. In a recent interview with Bloomberg, Wirecard's CEO said he sees **no impact from the Zatarra report on operational business.**
- **Regarding business, Wirecard is very confident.** The group has enjoyed a strong start to the year and operational business is excellent, confirming the company's FY16 guidance (Ebitda of EUR280-300m is conservative and excludes proceeds from the proposed Visa Europe sale and the recent acquisitions of Moip Pagamentos and Provus).
- **Wirecard boasts the best fundamentals in the Payment sector** thanks to its positioning in e-commerce (pure-online player) and its exposure to emerging markets (28% of its sales in South-East Asia). **The group's profitable growth is not yet priced in:** P/E 2016e of 19.2x vs. rest. EPS growth of +40.7%. **Buy rating and FV of EUR52 reiterated.**



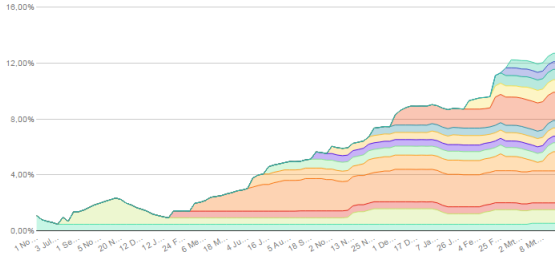
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Wirecard: Key Focuses from BG's TMT Conference

1. One chart

Wirecard short positions: 12.7%



Source: *shortsell.nl* (Nov. 2012-March 2016)

■ On 24th February, a so-called research paper attributed a TP of EURO to Wirecard. The report from Zatarra Research & Investigations (a completely unknown company that describes itself as a boutique firm of investment professionals, although it is unclear who is exactly behind the outfit) talks about fraud, money laundering, and evasion of US restrictions on Internet gambling. Zatarra sends daily emails to sell-side analysts and portfolio managers and this has had a strong negative impact on WCD's share price.

■ **This is not the first time that the group has been attacked:** 1/ in 2008, Wirecard was engaged in a legal battle with a senior officer at German

investor association, SdK, who accused Wirecard of falsifying its books in 2007 and covering illegal activities. Wirecard had officially denied and requested an audit of its accounts (by Ernst & Young) to check for any irregularities (made public at the end of 2008). The senior officer of SdK later resigned, was investigated in connection with price manipulation and trading ahead of the publication of negative reports against several stocks, including Wirecard, and received a fine and a prison term. 2/ In 2010, a report stated that Wirecard was named in a US criminal case against a Florida resident, who ultimately pleaded guilty to running an unlicensed money transfer business. The man had used Wirecard Bank to transfer money from a UK company to the US, according to the complaint. Wirecard issued a statement which said the individual "was not and is not associated in any manner whatsoever with the Wirecard Group. The company unequivocally and sharply repudiates any allegations giving rise to a suspicion of money laundering". **Following these attacks in 2008 and 2010, two of the key individuals behind went to prison in Germany, and no charges have ever been filed against Wirecard.** 3/ In April 2015, a journalist from the FT Alphaville blog released the 1st episode of its series "House of Wirecard", questioning the true existence of the company, its acquisitions etc... 4/ In November 2015, a "research report" from Hong Kong boutique JCap above all questioned Wirecard's acquisitions in Asia (Great Indian Retail Group...), knowing that this document did not fulfil minimum quality and ethical research standards (it was put together in a biased way to suit the special interest of third parties). 5/ And now, a new unknown boutique, Zatarra, has published an unsigned report on fraud, money laundering and evasion of US restrictions on Internet gambling. This latter is much more detailed and complex to address as it has re-used past untrue rumours (2008/10), set Wirecard's senior officers and board members in the wrong context, thrown them together and tried to connect these facts as if everything was operated by Wirecard.

■ As if by surprise, the JCap and Zatarra's reports are relayed by the Alphaville journalist in his blog. And the chart shown above clearly shows a correlation between the release of these articles (the series "House of Wirecard", the JCap and Zatarra's reports) and the accumulation of short attacks (12.7% of WCD's share capital currently). They clearly have the same objectives, i.e. to undermine the image and credibility of Wirecard. A sell-side analyst cannot check all the data included in the document from Zatarra, this is more the job of a detective... What is sure is that the correlation **we see between these articles and reports and the directly linked increasing trend of short positions deserves at least an investigation by the regulator.**

2. One sentence

"We have no fear of losing any of our customers"

According to Iris Stöckl at our conference, the group has **no fear of losing any of its customers**. On the contrary, the group's clients and even some of its competitors have delivered messages of support. **The recent launch of the prepaid Visa card mycard2go** (a new prepaid Visa card from Wirecard available for consumers as of 2nd March) **is the best example, showing that the group works with high-level clients and has their entire support** (preferred partner of Visa, good relationship with MasterCard, 60 airlines clients...). In a recent interview to Bloomberg, Wirecard's CEO said he **sees no impact of the Zatarra report on operational business**.

3. One figure

95%

Iris Stöckl said that **95% of the Zatarra report was false** (a false context and wholly untrue allegations) **and 5% true** (only the names of people and companies cited are true).

Wirecard's management reacted very quickly on the day of the report's release by sending an extremely clear official statement to the main information streams (Bloomberg, Reuters...):

"It came to our knowledge that a dubious company called Zatarra calling themselves a Research and Investigation company spread a report which contains wholly untrue allegations against Wirecard and its staff. Management would like to comment that the whole report contains slanderous allegations none of which are true. We assume that the report has been spread to negatively influence our share price. Legal action has been initiated."

The name "Zatarra" is very symbolic and indicative. Indeed, it refers to the 2002 film adaptation of the novel *The Count of Monte Cristo* (Alexandre Dumas) and **is all about revenge**. The film relates the life of Edmond Dantès, who was sent to prison where he concocted a plan to seek revenge on those responsible. The main character E. Dantès was given the nickname Zatarra by Luigi Vampa.

The way this report is written (as if everything was operated by Wirecard), how it is presented (100 pages, without any signature), where it is accessible (upload on an Internet website entirely dedicated to advertising of the report, knowing that this is the only stock in Zatarra's coverage) and when it was published (during the Mobile World Congress attended by Wirecard from 22nd-26th February in Barcelona), might be qualified as **share price manipulation**. Asked at our TMT conference about Zatarra's report, Iris Stöckl said that this document takes several real names (people at Wirecard and companies) and re-uses past untrue rumours (2008/10), sets them in a wrong context, throws them together and tries to connect these facts in a way intended to show that everything was operated by Wirecard. Management made an e-mail statement concerning the report adding that it contains untrue and slanderous allegations, which is also accessible on its website <https://www.wirecard.com/wirecard-statement-march2016/>. We believe management could provide additional information on the Zatarra report (#2) in coming days.

The plunge in the Wirecard share price on the day the report was published (by as much as 25%) alerted the German Financial Supervisory Authority (BaFin) according to WirtschaftsWoche. **The BaFin has launched an investigation** into possible market manipulation by false or misleading information. Wirecard is an easy target as it is a services company and a pure online player, making acquisitions, with rumours from the past but from which it has been totally cleared. **This act of destabilisation may have been inspired by a successful short-selling attack on Wirecard in 2008 and 2010** and served the sole purpose of manipulating the stock markets and the public's perception of the firm in order to temporarily tank its share price. It must be severely punished because it can happen to any company. **Wirecard has special lawyers and it seems that the company is close to finding out who is behind Zatarra.**

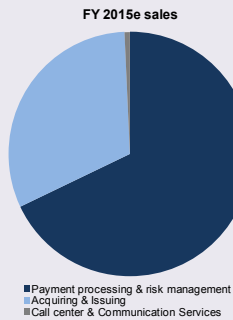
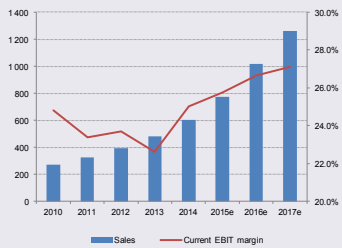
4. How does the Conference impact our Investment Case

Wirecard started very well in 2016, operational business is excellent and confirms the company's FY 2016 guidance (Ebitda of EUR280-300m is conservative and excludes proceeds from the proposed Visa Europe sale and recent acquisitions i.e. Moip Pagamentos in Brazil and Provus in Romania). We maintain our 2016 Ebitda estimate of EUR306.4m (margin of 30.1%, +60bp) including the last two acquisitions. 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 think 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 believe it could no longer remain outside the Americas. As such, we expect the group to make acquisitions or team up with a player in the region this year in North America or South America in order to obtain global presence. The recent acquisition of Moip Pagamentos in Brazil is not significant but is a step in the right direction. Longer term, the management believes that e-commerce will naturally enter physical stores. Note that **the CEO bought an additional EUR24.45m of Wirecard shares between 8th and 26th February** (620,000 shares at an average price of EUR39.5).

Next Catalysts

FY 2015 earnings results: 7th April 2016 (before trading).

Wirecard



Company description

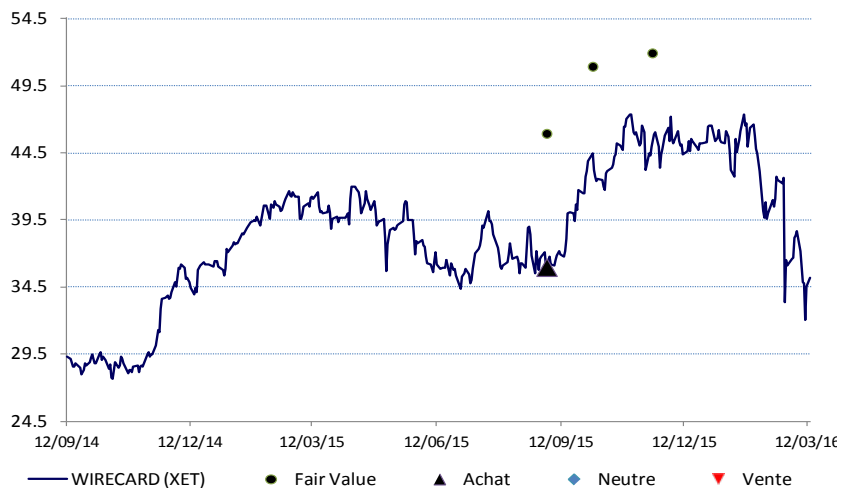
Wirecard is one of the world's leading independent providers of outsourcing and white label solutions for electronic payment transactions. It has been supporting companies in accepting electronic payments from all sales channels. A global multi-channel platform bundles international payment acceptances and methods, supplemented by fraud prevention solutions. When it comes to issuing their own payment instruments in the form of cards or mobile payment solutions, Wirecard provides companies with an end-to-end infrastructure, including the requisite licenses for card and account products.

Simplified Profit & Loss Account (EURm)	2014	2015e	2016e	2017e
Revenues	601	772	1,016	1,259
Change (%)	24.8%	28.4%	31.7%	23.9%
fl change (%)	21.0%	24.9%	20.3%	21.0%
EBITDA	173	227	306	385
EBIT	133	176	241	305
Adjusted EBIT	150	199	271	341
Change (%)	38.1%	32.1%	36.3%	26.0%
Financial results	(6.7)	(10.8)	(6.4)	(5.0)
Pre-Tax profits	126	166	235	300
Tax	(18.2)	(24.0)	(34.1)	(43.4)
Profits from associates	0.0	0.0	0.0	0.0
Minority interests	0.0	0.0	0.0	0.0
Net profit	108	142	201	256
Restated net profit	123	161	226	287
Change (%)	33.9%	30.7%	40.7%	27.1%
Cash Flow Statement (EURm)				
Cash flow	173	206	283	358
Change in working capital	(33.5)	(54.1)	(77.5)	(77.0)
Capex, net	(75.0)	(77.2)	(91.5)	(113)
Financial investments, net	(94.3)	(255)	(96.7)	(41.2)
Dividends	(14.8)	(14.6)	(16.1)	(17.3)
Other	28.3	0.0	0.0	0.0
Net debt	(597)	(402)	(403)	(513)
Free Cash flow	64.8	74.4	114	168
Balance Sheet (EURm)				
Net fixed assets	687	1,101	1,416	1,677
Investments	124	124	124	124
Deferred tax assets	0.0	0.0	0.0	0.0
Cash & equivalents	695	449	451	560
current assets	358	459	605	750
Other assets	131	168	221	274
Total assets	1,995	2,302	2,818	3,385
L & ST Debt	98.4	47.3	47.3	47.3
Provisions	10.8	10.8	10.8	10.8
Deferred tax liabilities	0.0	0.0	0.0	0.0
Others liabilities	813	1,044	1,375	1,703
Shareholders' equity	1,073	1,200	1,385	1,624
Total Liabilities	1,995	2,302	2,818	3,385
Capital employed	476	798	981	1,111
Ratios				
Operating margin	25.03	25.75	26.65	27.10
Tax rate	14.42	14.50	14.50	14.50
Net margin	17.96	18.35	19.76	20.35
ROE (after tax)	10.06	11.80	14.51	15.78
ROCE (after tax)	27.59	21.72	24.04	26.75
Gearing	(55.62)	(33.50)	(29.14)	(31.59)
Pay out ratio	13.54	11.34	8.61	7.23
Number of shares, diluted	121,841	123,590	123,590	123,590
Data per Share (EUR)				
EPS	0.89	1.15	1.63	2.07
Restated EPS	1.01	1.30	1.83	2.33
% change	23.4%	28.8%	40.7%	27.1%
BVPS	8.81	9.71	11.20	13.14
Operating cash flows	1.42	1.66	2.29	2.90
FCF	0.53	0.60	0.92	1.36
Net dividend	0.12	0.13	0.14	0.15

Source: Company Data; Bryan, Garnier & Co ests.

Price Chart and Rating History

Wirecard



Ratings

Date	Ratings	Price
01/09/15	BUY	EUR36.78

Target Price

Date	Target price
18/11/15	EUR52
05/10/15	EUR51
01/09/15	EUR46

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Stock rating

BUY	Positive opinion for a stock where we expect a favourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential upside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
NEUTRAL	Opinion recommending not to trade in a stock short-term, neither as a BUYER or a SELLER, due to a specific set of factors. This view is intended to be temporary. It may reflect different situations, but in particular those where a fair value shows no significant potential or where an upcoming binary event constitutes a high-risk that is difficult to quantify. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.
SELL	Negative opinion for a stock where we expect an unfavourable performance in absolute terms over a period of 6 months from the publication of a recommendation. This opinion is based not only on the FV (the potential downside based on valuation), but also takes into account a number of elements that could include a SWOT analysis, momentum, technical aspects or the sector backdrop. Every subsequent published update on the stock will feature an introduction outlining the key reasons behind the opinion.

Distribution of stock ratings

BUY ratings 64.4%

NEUTRAL ratings 28.1%

SELL ratings 7.4%

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