

Wirecard

Price EUR38.30

Small acquisition in Romania

Fair Value EUR52 (+36%)

BUY-Top Picks

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 33.4
Market Cap (EUR)	4,733
Ev (BG Estimates) (EUR)	4,331
Avg. 6m daily volume (000)	673.9
3y EPS CAGR	32.1%

Wirecard has recently announced the acquisition of Romanian payment services provider Provus Group. Following this operation (~1.3% of WCD's revenue), we have upgraded our 2016-17e EPS sequence by a slight 0.9% on average (+0.8% in 2016e and +1.0% in 2017e). We maintain our Buy rating and FV of EUR52 (Q1 Top Pick List).

FACTS

- Wirecard has acquired 100% of shares in Romanian company Provus Group (based in Bucharest, employing 114 people, serving major Romanian banks, telecommunications and retail players, and has worked with the Romanian government in the digitisation of health and payment cards) from Innova Capital (a Polish private equity fund). The current management team will remain in place.
- Provus Group is Romania's leading payment processing and technological service provider and is positioned in outsourcing acquiring and card processing, e-commerce transactions and POS operations. Through this acquisition, Wirecard: **1/** reaches broader markets in Eastern Europe (only 3% of all payments in Romania are currently made electronically), **2/** completes its global payment gateway as well as its European acquiring and issuing licence; **3/** benefits from Provus' scalable platform which features innovative technology; and **4/** continues its global expansion.

ANALYSIS

- In 2016e, consolidated revenues from Provus Group are expected to total EUR13.3m (i.e. IFl sales growth close to +30% Y/Y % over the next few years) with EBITDA of EUR4m (margin slightly higher than 30%, which is at WCD's level) and one-off integration costs of ~0.5m. The transaction is to be paid for in cash for EUR32m, without further earn-out payments. The company has a net cash position which is not material. The price tag represents 2016 EV/EBITDA of 8x, i.e. particularly cheap for a PSP (we usually see multiples of 10-12x EV/EBITDA for companies with a similar positioning). This acquisition is obviously not included in WCD's FY16 EBITDA guidance of EUR280-300m (current consensus of EUR299.4m), which is conservative according to the CEO.
- Forecasts 2016-17e: we have updated our figures to take into account the consolidation of Provus Group (29th February 2016). We have therefore adjusted our FY16e revenue from EUR1,005.4m to EUR1,016.3m (+20.3% IFl), EBITDA from EUR303.0m to EUR306.4m (margin of 30.1%, +60bp) and current EBIT from EUR267.8m to EUR270.8m (margin of 26.6%, +80bp). As a result, the impact on our restated 2016-17e EPS sequence is non-significant (+0.9% on average: +0.8% in 2016e, and +1.0% in 2017e). We are forecasting a net cash position of EUR403.4m at end-2016e.
- 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 acquisitions 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 recently in Brazil is a first achievement. Even if it is not significant, this is a step in the right direction.

VALUATION

- Buy rating and FV of EUR52 maintained. The stock is in our Q1 Top Pick List.
- Over FY16e: P/E of 20.9x vs. rest. EPS growth of +40.7%.

NEXT CATALYSTS

- FY 2015 financial statements: 7th April 2016.

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	1 M	3 M	6 M	31/12/15
Absolute perf.	-14.5%	-16.0%	4.2%	-17.6%
Softw. & Comp.	-0.6%	-5.2%	10.4%	-5.7%
DJ Stoxx 600	3.0%	-8.8%	-6.3%	-7.2%

YEnd Dec. (EURm)	2014	2015e	2016e	2017e
Sales	601.0	771.6	1,016	1,259
% change		28.4%	31.7%	23.9%
EBITDA	173	227	306	385
EBIT	150.4	198.7	270.8	341.2
% change		32.1%	36.3%	26.0%
Net income	123.0	160.7	226.0	287.4
% change		30.7%	40.7%	27.1%

	2014	2015e	2016e	2017e
Operating margin	25.0	25.8	26.6	27.1
Net margin	18.0	18.3	19.8	20.3
ROE	10.1	11.8	14.5	15.8
ROCE	27.6	21.7	24.0	26.7
Gearing	-55.6	-33.5	-29.1	-31.6

(EUR)	2014	2015e	2016e	2017e
EPS	1.01	1.30	1.83	2.33
% change	-	28.8%	40.7%	27.1%
P/E	38.0x	29.5x	20.9x	16.5x
FCF yield (%)	1.4%	1.6%	2.4%	3.5%
Dividends (EUR)	0.12	0.13	0.14	0.15
Div yield (%)	0.3%	0.3%	0.4%	0.4%
EV/Sales	6.9x	5.6x	4.3x	3.4x
EV/EBITDA	23.9x	19.1x	14.1x	11.0x
EV/EBIT	27.5x	21.8x	16.0x	12.4x

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