

Worldline

Price EUR21.72

The cheapest stock in our Payment coverage

Fair Value EUR29 (+34%)

BUY-Top Picks

Bloomberg	WLN FP
Reuters	WLN.PA
12-month High / Low (EUR)	24.7 / 16.9
Market Cap (EURm)	2,869
Ev (BG Estimates) (EURm)	2,546
Avg. 6m daily volume (000)	89.70
3y EPS CAGR	9.6%

During meetings with Worldline's management (CEO and IR) at our TMT conference, much of the time was spent explaining the company's activities and discussing the sector. They emphasised the complementary benefits of the Equens and KB transactions. And finally, they reiterated the FY16 guidance (+3% in lfl sales, EBITDA margin of 20%, i.e. +80bps, FCF of EUR135/140m), adding that it excludes the last two acquisitions (an update should be provided at the H1 earnings, in July). Buy rating and FV of EUR29 (incl. Equens and the end of the French radar contract are integrated) – Q1 Top Pick. Full Focus report out today.

	1 M	3 M	6 M	31/12/15
Absolute perf.	11.1%	-7.8%	1.0%	-9.0%
Softw. & Comp.	4.3%	-4.0%	11.1%	-4.4%
DJ Stoxx 600	3.6%	-6.6%	-5.7%	-6.9%

ANALYSIS

- Worldline should now be fully considered as a PSP by investors. It has over 40 years of expertise in the Payment industry and 78% of its FY16e sales is derived from Payments (incl. the last two acquisitions).
- The group has little exposure to the most buoyant segments (no presence in the US, very little in China, low in online segment). **That said, it has a resilient profile and numerous strengths: 1/** recurring sales (75%e), **2/** presence in the entire payments value chain, **3/** gradual convergence of its businesses (platforms + uses), **4/** leverage on customer relations and transaction volumes (fixed-cost structure: 55-60% of sales), **and 5/** ties with parent company Atos (excellent distribution channel).
- Our meetings with Worldline's management have strengthened our view. **With Equens, we consider that Wordline has now a critical mass in Payments.** We consider that, even with still a low single-digit organic growth (+3-6%: exposure to Europe and physical payments), the group will improve its margins and with an additional boost once its investments in the WIPE platform are completed (only EUR25m remains to be invested over 2016-17). As a result, **the group's fundamentals and multiples should now deserve those of a PSP evolving in the physical space (processor but also acquirer in Benelux), i.e. 12x in EV/EBITDA.**

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	25.0x	23.9x	20.7x	19.0x
FCF yield (%)	4.1%	4.4%	4.9%	5.9%
Dividends (EUR)	0.00	0.00	0.25	0.29
Div yield (%)	NM	NM	1.2%	1.3%
EV/Sales	2.3x	2.1x	1.9x	1.7x
EV/EBITDA	12.4x	10.8x	9.3x	8.1x
EV/EBIT	15.7x	14.6x	11.9x	10.3x

VALUATION

- We are waiting for the consolidation dates of Equens and KB before officially integrating them into our financial grid (we should have these details in July). However, they are already included in our valuation.
- We maintain our Buy rating and FV of EUR29 (Q1 Top Pick). At our FV, the share would be at 11.8x EV/EBITDA 2016e (vs. 8.1x currently), which is consistent with its positioning.

NEXT CATALYSTS

- Q1 2016 revenue:** on 20th April (after trading).
- H1 2016 earnings:** in July (the group will give all the necessary elements for the consensus to integrate the last two acquisitions into their models and therefore should update its guidance accordingly).

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