

26th April 2016

TMT

Ingenico Group

Price EUR98.32

Acquisition of Lyudia, a local distributor in Japan

Fair Value EUR144 (+46%)

BUY

Bloomberg	ING FP
Reuters	INGC.PA
12-month High / Low (EUR)	127.6 / 87.9
Market Cap (EURm)	5,997
Avg. 6m daily volume (000)	261.0

	1 M	3 M	6 M	31/12/15
Absolute perf.	-1.2%	-9.2%	-10.0%	-15.6%
Softw.& Comp.				
SVS	0.0%	-0.3%	1.7%	-3.4%
DJ Stoxx 600	3.5%	3.1%	-8.1%	-5.2%

	2015	2016e	2017e	2018e
P/E	22.0x	18.6x	16.0x	14.3x
Div yield (%)	1.3%	1.7%	2.0%	2.3%

FACTS

- **Ingenico announced today the acquisition of 70% of Lyudia, its distribution partner in Japan** (owned by BroadBand Tower, listed on the Tokyo Stock exchange). The terms of this transaction have not been disclosed. The two companies have been in a partnership agreement since February 2014 providing a full range of services (software development, certification, logistics, maintenance and support in Japan).
- **Japan's transition to EMV is expected between 2017 and 2020**, driven by the Olympic Games organised in Tokyo in 2020 and by the government's aim to promote cashless and secured payment methods. Lyudia's acquisition will allow Ingenico to accelerate the pace of payment applications certification process and represents an opportunity for Ingenico to become a significant player on the Japanese market.

ANALYSIS

- **As we wrote in our last papers, Japan could shift to EMV before the 2020 Olympic Games in order to accept international cards and to deal with fraud** (there are around 3m POS terminals in Japan, mostly innovation-driven-products), but also India and Indonesia in the medium term. And if so, **Ingenico could reasonably reach a 40% market share** (i.e. about its world prime position of 44%) through partnerships or acquisitions of local distributors. **We believe that the acquisition of Lyudia is an indicator that card schemes (Visa, Mastercard...) could impose a deadline for merchants to be equipped with EMV terminals in Japan**, which is exactly what they did in the US. Note also that Japan is the 2nd largest retail market in the world.

VALUATION

- We expect **earnings growth of 25.1%e vs. a P/E of 18.6x over 2016e. Buy rating – FV EUR144.**

NEXT CATALYSTS

- **Q1 2016 revenue:** today (after trading).

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Distribution of stock ratings

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