

Wirecard

Price EUR33.92

Strong FY15 earnings results, FY16 guidance maintained

Fair Value EUR52 (+53%)

BUY-Top Picks

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EUR)	4,191
Ev (BG Estimates) (EUR)	3,789
Avg. 6m daily volume (000)	844.8
3y EPS CAGR	32.1%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.3%	-26.6%	-21.5%	-27.1%
Softw. & Comp.	0.6%	-2.0%	9.9%	-4.5%
DJ Stoxx 600	-3.3%	-6.7%	-8.3%	-9.6%

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	33.6x	26.1x	18.5x	14.6x
FCF yield (%)	1.6%	1.8%	2.7%	4.0%
Dividends (EUR)	0.12	0.13	0.14	0.15
Div yield (%)	0.4%	0.4%	0.4%	0.4%
EV/Sales	6.0x	4.9x	3.7x	2.9x
EV/EBITDA	20.8x	16.7x	12.4x	9.5x
EV/EBIT	23.9x	19.1x	14.0x	10.8x



Wirecard has just published its audited 2015 earnings. Revenues (EUR771.3m) and EBITDA margin (29.5%) were already known thanks to preliminary figures on 28th January. The group registered a 32% yoy increase in transaction volumes processed (+24.8% outside Europe, +51.4% yoy), a 23.2% organic revenue growth, a 25.6% underlying EBIT margin and EUR142.6m in net income. Management is maintaining its recently upgraded 2016 EBITDA guidance of EUR290-310m. Wirecard's PEG has never been this appealing (P/E 18.5x vs. EPS +38%). The stock is on our Q2 Top Pick List. Conference call today at 1pm.

ANALYSIS

- 2015 performance: revenues of EUR771.3m (+28.3% Y/Y, +23.2% lfl) and EBITDA of EUR227.3m i.e. a margin up 70bp to 29.5%** (incl. margin of 29.9% in Q4; FY guidance range was EUR223-232m) **were already known.** Given, the transaction volumes processed last year (EUR45.2bn, +31.8% Y/Y), **the average commission fee received by Wirecard was 1.7%** (driven by e-commerce, mobile payment and the rising exposure to emerging markets). **EBIT came out at EUR172.8m** (vs. BG est. EUR176.3m and Thomson Reuters cons. EUR181m), **adjusted EBIT at EUR197.4m** i.e. margin up 60bp to 25.6% (vs BG est. EUR198.7m, i.e. margin of 25.8%), **and net profit at EUR142.6m** i.e. margin of 18.5% (vs BG est. EUR141.6m and cons. EUR150.5m). **Net cash position of EUR536m** (vs. BG est. EUR402m and cons. EUR388m). The Board will propose this year's AGM a **dividend of EUR0.14 per share.**
- What to expect in 2016?** Regarding the current year, **on 30th March, Wirecard increased its 2016 EBITDA guidance range from EUR280-300m to EUR290-310m** (strong start to the year, newly consolidated subsidiaries in Brazil and Romania and higher than expected EBITDA from GI Technology). As a reminder, we have FY revenue of EUR1,016.3m (+20.3% lfl) vs. cons. of EUR996.2m, EBITDA of EUR306.4m (margin of 30.1%, +60bp) vs. cons. of EUR300.8m, and net income of EUR200.8m vs. cons. of EUR207.6m. And we are forecasting a net cash position of EUR403.4m at end-2016e (our estimate does not include the positive impact of Wirecard's stake in Visa Europe) vs. cons. of EUR359.0m.
- Good positioning and leverage to topline and profitability: Wirecard boasts the best fundamentals in the sector thanks to its positioning in e-commerce** (pure-player in online payments) **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. **As the group has a fixed cost structure** (~55% of its sales) **we believe it should deliver the high-end of its EBITDA guidance range in FY16** (EUR290-310m). Note that the profitability improvement is also driven by the **growing proportion of medium/large merchants in the group's revenue mix** (the transaction volumes processed more than offset the decline in the commission rate, and Wirecard's standardised and mutualised platform generates economies of scale).
- Wirecard aims to become a real global player within 12-18 months:** 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**, just after Worldpay. In contrast, we believed 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** (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

- Wirecard's PEG has never been this appealing:** PE of 18.5x vs. EPS growth of 38% in 2016e.
- We maintain our Buy rating and FV of EUR52.** The stock is **on our Q2 Top Pick list.**

NEXT CATALYSTS

- Q1 sales:** 19th May (before trading).

Management track-record from 2010 to 2015: reported EBITDA vs. initial guidance

Year	2010		2011		2012		2013		2014		2015	
	Init. Guid.	Rep. Fig.	Init. Guid.	Rep. Fig.	Init. Guid.	Rep. Fig.	Init. Guid.	Rep. Fig.	Init. Guid.	Rep. Fig.	Init. Guid.	Rep. Fig.
EBITDA	70-75	73.3	81-89	84.4	103-115	109.2	120-130	126.0	160-175	172.9	205-225	227.2
Mid-point	72.5	73.3	85.0	84.4	109.0	109.2	125.0	126.0	167.5	172.9	215.0	227.2
Reported vs. mid-point		+1.1%		-0.7%		+0.2%		+0.8%		+3.2%		+5.7%
Reported vs. upper range		-2.3%		-5.2%		-5.0%		-3.1%		-1.2%		+1.0%

Source: Bryan, Garnier & Co.

- In recent years, the group has regularly raised its EBITDA guidance (several times during the year).
- On average, it has reported a figure 2% higher than the middle of its initial range (6% higher in 2015).
- Every year, it moves slightly closer to the top-end of its initial range, and **above the range for the first time in 2015e. We expect a similar scenario in 2016e** (BG est. EUR306.4 vs. initial guidance range of EUR280-300m).

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