

Wirecard

Price EUR32.75

Conference call feedback – Key points to take away

Fair Value EUR52 (+59%)

BUY-Top Picks

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EUR)	4,047
Ev (BG Estimates) (EUR)	3,350
Avg. 6m daily volume (000)	849.6
3y EPS CAGR	28.8%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-12.0%	-28.0%	-23.3%	-29.6%
Softw. & Comp.	0.0%	-1.6%	9.5%	-5.5%
DJ Stoxx 600	-3.8%	-5.3%	-9.1%	-10.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	771.3	1,016	1,259	1,504
% change		31.7%	23.9%	19.5%
EBITDA	227	306	385	466
EBIT	197.4	270.7	341.1	413.7
% change		37.1%	26.0%	21.3%
Net income	163.8	225.9	287.2	350.1
% change		37.9%	27.1%	21.9%

	2015	2016e	2017e	2018e
Operating margin	25.6	26.6	27.1	27.5
Net margin	18.5	19.8	20.3	20.8
ROE	11.1	13.7	15.0	15.7
ROCE	29.5	30.7	33.2	35.2
Gearing	-54.1	-47.6	-47.5	-48.8

(EUR)	2015	2016e	2017e	2018e
EPS	1.33	1.83	2.33	2.84
% change	-	37.9%	27.1%	21.9%
P/E	24.7x	17.9x	14.1x	11.6x
FCF yield (%)	3.2%	2.9%	4.2%	5.6%
Dividends (EUR)	0.13	0.14	0.15	0.16
Div yield (%)	0.4%	0.4%	0.5%	0.5%
EV/Sales	4.3x	3.3x	2.6x	2.0x
EV/EBITDA	14.8x	10.9x	8.4x	6.6x
EV/EBIT	17.0x	12.4x	9.5x	7.4x



No surprises regarding the FY15 earnings released yesterday morning. For FY16, we are already at the high end of the recently increased EBITDA guidance and we confirm our estimate. P/E of 17.9x vs. restated EPS growth of +38% in 2016e. The negative share price reaction yesterday afternoon is inconsistent. We maintain our Buy rating and FV of EUR52. The stock is on our Q2 Top Pick list.

ANALYSIS

- Key metrics in FY15: 1/** revenue increased by 28.3% Y/Y (+23.2% lfl), breaking down into 63.6% from Europe (+23.9% Y/Y, +20.6% lfl) and 36.4% from outside Europe (+39.6% Y/Y, +29.7% lfl); **2/** transaction volumes processed stood at EUR45.2bn (+31.8% Y/Y, +30.3% lfl), breaking down into 75.2% Europe (+26.3% Y/Y, +26.0% lfl) and 24.8% outside Europe (+51.4% Y/Y, +46.2% lfl); **3/** average fee per transaction of 1.6%, breaking down into 1.4% in Europe and 2.1% outside Europe; **4/** EBITDA of EUR227.3m (margin of 29.5%; last guidance of 223-232m), including a contribution of EUR3.8m in mobile payments (vs. guidance of ~EUR4m).
- Our view:** Wirecard boasts the best fundamentals in the sector thanks to its positioning in e-commerce (pure-player in online payments) and emerging markets (~30%e in South East Asia). The profitability improvement was also driven by the growing proportion of large merchants in its revenue mix. Indeed, the transaction volumes processed per merchant (from EUR0.96m in 2009 to EUR2.05m in 2015) more than offset the decline in the fee per transaction (from 2.2% to 1.6%) and Wirecard's standardised and mutualised platform generates economies of scale.
- FY16 EBITDA guidance (EUR290-310m) is based on** growth in the European e-commerce market and additional global growth drivers, an increase in processed transaction volumes with existing and new clients, economies of scale, and a contribution from recent acquisitions. **Detailed breakdown of the mid-point (EUR300m): 1/** organic growth of 23% (seen as conservative by management); **2/** an expected EBITDA contribution from mobile payment of EUR5.0m (vs. BG est. 5.5m); **3/** EUR16.0m EBITDA contribution from the payment business of GI Retail (BG est.: EUR16.5m); and **4/** EUR4.0m combined EBITDA contribution from Provus Group and MoIP (BG est.: EUR5.2m). As a reminder, the guidance does not include any effects from the sale of Visa Europe.
- Regarding the impact of Visa Europe acquired by Visa Inc.** As a reminder, this deal is valued at EUR21.2bn (closing expected in Q2 2016) with the following breakdown: a EUR16.5bn up-front payment (EUR11.5bn in cash and EUR5bn in shares) and EUR4.7bn in potential earn-outs over 4 years. **Wirecard has indicated the overall impact of Wirecard's 0.5% stake in VISA Europe**, namely proceeds of EUR117.1m (vs. ~EUR100m previously expected). It has the same breakdown as Visa Europe for the cash (EUR67.3m), the stock (EUR23.8m) and the earn-out contribution (EUR26.0m). It should come as a positive financial result (not the potential earn-outs but the upfront payment and the value of the shares). In Europe, in the online field, Wirecard is the substantial acquirer.
- Strong market prospects: 1/** global e-commerce growth in 2016 of 16-17% (Euromonitor/Statista); **2/** growth of the European e-commerce market of 12% for 2016 (Forrester/Statista); and **3/** growth prospects for the Asian market of 25% in 2016 (Statista).
- M&A strategy:** the group has a conservative M&A policy allowing for **targets of up to 10% of its revenue** (no risk of capital increase). In order to be really global, management is focusing on a **US market entry within 12-16 months** (it could no longer remain outside), organically or via M&A on conservative multiples (it is in initial talks on potential deals but these remain in the early stages).
- Regarding Zatarra's allegations:** there is no impact on operational business. People or legal entities behind Zatarra are not yet identified (Wirecard has legal advisors and there is still a research process ongoing). Once this is known, it will finally be able to sue them. The BaFin has started an investigation into possible market manipulation by false or misleading information.

VALUATION

- No surprises regarding the FY15 earnings released yesterday. We are making no changes to our forecasts.**
- We expect restated EPS growth of 38% in FY16e** (vs. +31% in FY15 and +23% in FY14) compared

to a P/E of 17.9x. We see the current share price as a clear **Buy opportunity**.

- **We maintain our Buy rating and FV of EUR52.** At our FV, P/E would be 28.4x. **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.
EURm												
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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