

Wirecard

Price EUR38.69

First entry into North America via the acquisition of Citi Prepaid Card Services

Fair Value EUR54 vs. EUR52 (+40%)

BUY

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EURm)	4,781
Ev (BG Estimates) (EURm)	4,264
Avg. 6m daily volume (000)	909.1
3y EPS CAGR	29.9%

Wirecard yesterday announced its first entry into North America by acquiring Citi Prepaid Card Services (issuer of physical prepaid cards), now formally making the group a global issuing and acquiring payment service provider (all continents are now covered). By integrating this deal (BG est.: 10x EBITDA) into our model, we have revised upward our 2017-18e EPS sequence by +2.3% on average (+2.2% in FY17e and +2.4% in FY18e). We maintain our Buy rating and raise our FV from EUR52 to EUR54.

	1 M	3 M	6 M	31/12/15
Absolute perf.	-3.3%	21.8%	-16.8%	-16.8%
Softw. & Comp.	-7.5%	-5.1%	-8.5%	-7.9%
DJ Stoxx 600	-6.6%	-3.1%	-11.7%	-10.8%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	771.3	1,016	1,344	1,599
% change		31.7%	32.3%	18.9%
EBITDA	227	306	403	488
EBIT	197.4	270.7	356.1	432.1
% change		37.1%	31.5%	21.4%
Net income	163.8	225.9	293.6	358.7
% change		37.9%	30.0%	22.2%

	2015	2016e	2017e	2018e
Operating margin	25.6	26.6	26.5	27.0
Net margin	18.5	26.4	19.4	20.0
ROE	11.1	18.3	15.3	15.9
ROCE	29.5	25.6	28.2	30.9
Gearing	-54.1	-35.3	-36.4	-40.1

(EUR)	2015	2016e	2017e	2018e
EPS	1.33	1.83	2.38	2.90
% change	-	37.9%	30.0%	22.2%
P/E	29.2x	21.2x	16.3x	13.3x
FCF yield (%)	2.7%	3.9%	3.4%	5.1%
Dividends (EUR)	0.13	0.14	0.15	0.16
Div yield (%)	0.3%	0.4%	0.4%	0.4%
EV/Sales	5.3x	4.2x	3.1x	2.5x
EV/EBITDA	18.0x	13.9x	10.3x	8.1x
EV/EBIT	20.7x	15.7x	11.7x	9.2x

FACTS

- Wirecard yesterday announced it has reached an agreement with Citi Holdings to acquire the Citi Prepaid Card Services (over 120 employees and a head office in Philadelphia) via a combined share and asset deal. This issuer of physical prepaid cards, which has over 2,500 programmes (incentive and compensation cards as well as corporate disbursement programmes), is associated with top companies and brands across the world, primarily in North America. Its customer portfolio is made of leading telecommunication service providers, health science companies, global IT and electronics manufacturers, internet and consumer goods corporations as well as public sector clients. The closing is expected in Q4 (pending regulatory approval and other customary closing conditions). Wirecard expects the acquired business to have an EBITDA contribution of over USD20m in 2017. Wirecard intends to enrich Citi Prepaid Card Services' existing product portfolio via its innovative issuing solutions (dematerialised, mobile payment, data VAS...) and to make it benefit from its global payments platform (expanding the features/functionality to its clients).

ANALYSIS

- We expected the group to make acquisitions or team up with a player in North America or South America (both are attractive) this year in order to obtain global presence. Over the last few months, management officially stated it is targeting the US within 6-16 months and that it would pay a maximum of USD200m. As a reminder, the acquisition of Moip Pagamentos recently in Brazil was a first achievement (i.e. a step in the right direction) but was not significant (only EUR2.2m in EBITDA). As a result, Citi Prepaid Card Services is more than welcome (BG est.: revenue of EUR90m, EBITDA margin of 20%, and free of debt). In the next few years, the revenue CAGR of this entity at constant scope should be between 10% and 15% with additional growth potential (by extending its business to acquiring), and its EBITDA margin should converge with that of Wirecard in the medium term (operating leverage through technological platforms). The terms of the transaction were not disclosed but usually the multiple paid for this kind of business is 10-12x EBITDA. We estimate this deal at 10x EBITDA, with a payment half in cash and half in loan. Following this latest acquisition, Wirecard is formally a global issuing and acquiring payment service provider. By integrating Citi Prepaid Card Services into our model, we have revised upward our 2017-18e EPS by +2.3% on average (+2.2% in FY17e and +2.4% in FY18e).

VALUATION

- We maintain our Buy rating and raise our FV from EUR52 to EUR54.
- The stock is trading with a P/E 2016e of 21.2x compared to a rest. EPS growth of +37.9%.

NEXT CATALYSTS

- H1 earnings results: 11th August (before trading).
- Wirecard is in strategic talks with various partners about entry into its share capital.

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Analyst :
Richard-Maxime Beaudoux
33(0) 1.56.68.75.61
rmbeaudoux@bryangarnier.com

Sector Team :
Thomas Coudry
Gregory Ramirez
Dorian Terral

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London	Paris	New York	Munich	New Delhi
Beaufort House	26 Avenue des Champs Elysées	750 Lexington Avenue	Widenmayerstrasse 29	The Imperial Hotel Janpath
15 St. Botolph Street	75008 Paris	New York, NY 10022	80538 Munich	New Delhi 110 001
London EC3A 7BB	Tel: +33 (0) 1 56 68 75 00	Tel: +1 (0) 212 337 7000	Germany	Tel +91 11 4132 6062
Tel: +44 (0) 207 332 2500	Fax: +33 (0) 1 56 68 75 01	Fax: +1 (0) 212 337 7002	+49 89 2422 62 11	+91 98 1111 5119
Fax: +44 (0) 207 332 2559	Regulated by the	FINRA and SIPC member		Fax +91 11 2621 9062
Authorised and regulated by the	Financial Conduct Authority (FCA) and the			Geneva
Financial Conduct Authority (FCA)	Autorité de Contrôle prudentiel et de			rue de Grenus 7
	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
				Fax+4122731 3243
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