

28th July 2016

TMT

Wirecard

Price EUR42.71

Strong preliminary H1 results, positive momentum and FY guidance maintained

Fair Value EUR54 (+26%)

BUY-Top Picks

ANALYSIS

- **Preliminary figures: H1 revenues of EUR450.6m, +32.5% Y/Y** (BG est.: EUR448.4m i.e. +31.9%) **and EBITDA of EUR132.2m i.e. margin up 40bp to 29.3%** (BG est.: 131.9m). This implies Q2 revenues at EUR240.2m +32.9% Y/Y (BG est.: EUR237.9m, +31.7% Y/Y) and EBITDA at EUR70.2m (vs. BG EUR70m). **The audited financial statements will be published on 17th August 2016.**
- **FY16 guidance:** Management expects a further positive business performance in H2 and confirmed its most recent FY 2016 guidance, namely for EBITDA of between EUR290m and EUR310m. As a reminder, the mid-point of this range is based on organic growth of 23% (seen as conservative by management), an expected EBITDA contribution from mobile payments of EUR5.0m (vs. BG est. 5.5m), a EUR16.0m EBITDA contribution from the payment business of GI Retail (BG est.: EUR16.5m), and a EUR4.0m combined EBITDA contribution from Provus Group and MoIP (BG est.: EUR5.2m).
- **We are maintaining our estimates, which are at the high-end of the guidance range and above consensus:** we have FY16e revenue of EUR1.016.3bn i.e. +31.7% and +20.3% lfl (cons.: EUR1,009.4m), EBITDA of EUR306.3m i.e. margin of 30.1% +60bp (cons.: EUR301.7m) and restated net income of EUR225.9m i.e. margin of 22.2%, +100bp (cons.: EUR212.2m). **Since the recent acquisition of Citi Prepaid Card Services in the US, Wirecard is now formally a global issuing and acquiring payment services provider.** A number of US investors are rumoured to be looking at the stock just because it has recently acquired this business from Citi (giving consistency to the quality of Wirecard). **By increasing its size, Wirecard should mechanically improve its margins** (fixed cost structure business).

VALUATION

- We maintain our Buy recommendation and FV of EUR54.
- **Note that short interest positions on the stock have fallen since May** (difficult to give a precise number as we do not see positions below 0.5%...), and are certainly well below 20% of the capital right now (vs. 23% at the peak). As a result, **there is still huge room for a further strong share price outperformance.**
- Wirecard's PEG is still very appealing, with a P/E of 20.7x compared with restated EPS growth of +33.9% over 12 month yoy. **The stock is on our Q3 Top Pick list.**

NEXT CATALYSTS

- **H1 earnings results (audited):** 17th August (before trading).
- **Wirecard is in strategic talks with various partners** about entry into its share capital.

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