

7th July 2016

TMT

## Worldpay

Price 262.70p

Payment processing issues with the Worldpay platform hit some Etsy sellers for days

Fair Value 278p (+6%)

NEUTRAL

Bloomberg	WPG LN
Reuters	WPG.L
12-month High / Low (p)	316.8 / 240.0
Market Cap (GBPm)	5,254
Avg. 6m daily volume (000)	7,389

	1 M	3 M	6 M	31/12/15
Absolute perf.	-6.1%	-7.1%	-15.2%	-14.5%
Softw.& Comp.				
SVS	-8.3%	-5.6%	-7.5%	-9.8%
DJ Stoxx 600	-6.9%	-3.6%	-10.0%	-12.9%
	2015	2016e	2017e	2018e
P/E	38.0x	23.2x	19.7x	16.3x
Div yield (%)	NM	0.7%	1.0%	1.4%

### FACTS

- Since 1st July, many users of the Etsy Inc. online marketplace have been hit by lingering transactional problems. What Etsy has described it as a “third-party payments processing issue” has left thousands of purchases in limbo. A thread in the “Bugs” section of the Etsy online community forum has registered more than 4,000 complaints from buyers and sellers who cannot complete transactions. Etsy began posting official updates about the issue in the Bugs forum thread on 1st July: “One of our partners is having a technical issue that is delaying the last step of payment processing. We’re working with them to help resolve the issue. Once it is cleared up on their end, all the payments that currently say ‘processing’ will be able to finalize.”
- According to Tech Crunch, the outage does not appear to be affecting any Etsy transactions conducted with PayPal. Some Etsy users have posted that they are having processing issues with the Worldpay platform. Worldpay has come forward after 6 days of silence, acknowledging that it is experiencing a service disruption (delay in settling some deposits and refunds, affecting a certain number of customers). The group has just issued a press release saying: “Worldpay is aware of an isolated issue impacting one of our gateways, resulting in a delay to settlement for a small number of our customers. We are working to resolve this issue urgently and we have proactively communicated with all affected customers”.

### ANALYSIS

- These kind of glitches afflicting payments can happen, but of course they have to be resolved very quickly in order not to impact the business and the reputation of the company. For Worldpay, it is all the more disappointing as this PSP has invested a lot in its proprietary payment platform in recent years (total investment plan from 2012 to 2017e at around GBP500m) to be fully independent from Royal Bank of Scotland (the group remains currently dependent on RBS for the clearing & settlement components).

### VALUATION

- **We maintain our Neutral rating and our FV of 278p.** Despite our far-from-pessimistic estimates, the share is not cheap, even taking into account only EV/EBITDA (it trades at 16.7x in FY16e whereas in our SOTP it deserves 16.1x, taking into account a 12.5% premium on the UK).

### NEXT CATALYSTS

- **H1 earnings results:** 9 August (before trading).

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## Distribution of stock ratings

BUY ratings 72%

NEUTRAL ratings 0%

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