

Wirecard

Price EUR45.86

Ready to reconnect with the fundamentals (full report published today)

Fair Value EUR58 vs. EUR54 (+26%)

BUY-Top Picks

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EURm)	5,667
Ev (BG Estimates) (EURm)	5,145
Avg. 6m daily volume (000)	735.8
3y EPS CAGR	29.9%

Having been an easy target for opportunistic short-seller funds, in our view the Wirecard share price should now reconnect with the fundamentals. There is potential for a significant rebound, which should accelerate with the covering of still-sizeable short positions. The PEG is particularly attractive (P/E of 22x vs EPS at +34%!) and the speculative angle is undeniable (Wirecard has a rare profile in the payments space). We recommend that investors play this momentum with a Buy rating and a FV increased from EUR54 to EUR58. The stock is on our S3 Top-Pick list. *Research report out today.*

	1 M	3 M	6 M	31/12/15
Absolute perf.	13.1%	16.5%	20.0%	-1.4%
Softw. & Comp.	4.9%	8.3%	12.0%	7.6%
DJ Stoxx 600	4.5%	1.8%	2.8%	-4.2%

ANALYSIS

- After an impressive collapse (-27% in one month, at end-March) triggered by a research note from a certain Zatarra, the share price rebounded. It has at last exceeded its level of the day prior to the 'attack'. There is potential for a significant rebound, especially since the rally in recent months took place without the massive covering of short positions, auguring positive share price momentum. Furthermore, US investors (a category representing a significant proportion of the short positions) are revisiting the investment case. The announcement of the acquisition of one of the Citi subsidiaries appears to be the proof that they had been missing to be convinced of the group's quality.
- In our view, it is time for the market to reconnect the company's share price with its fundamentals which are the best in the sector. The publication of the H1 results reassured us that not only has there been no operational impact from the Zatarra affair but, what's more, the EBITDA should come in towards the top end of the company's 2016 guidance, bang in line with its 2020 plan. For payment companies not engaged in an overinvestment programme, we advocate evaluating the shares based on the PEG. This multiple is particularly compelling for Wirecard over twelve rolling months, with a P/E of 22.2x whereas the restated EPS growth is expected to be 33.9%.
- Given its rare profile in the online payment space (pure-player, present across all continents, with an in-house bank), Wirecard is the type of company which, sooner or later, will end up as an acquisition target. In the first instance, this could take place via the simple purchase of a minority stake. The management has effectively just confirmed that it is in discussions with a number of strategic partners regarding a possible entry into its share capital. In that the speculative attraction of the shares will be correlated with the world-wide development of e-commerce, it is set to see a significant increase.

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	26.8	19.4	20.0
ROE	11.1	18.5	15.2	15.9
ROCE	29.5	25.7	28.2	30.9
Gearing	-54.1	-35.5	-36.5	-40.2

(EUR)	2015	2016e	2017e	2018e
EPS	1.33	1.83	2.38	2.90
% change	-	37.9%	30.0%	22.2%
P/E	34.6x	25.1x	19.3x	15.8x
FCF yield (%)	2.3%	3.3%	2.9%	4.3%
Dividends (EUR)	0.13	0.14	0.15	0.16
Div yield (%)	0.3%	0.3%	0.3%	0.3%
EV/Sales	6.4x	5.1x	3.7x	3.0x
EV/EBITDA	21.9x	16.8x	12.5x	10.0x
EV/EBIT	25.2x	19.0x	14.2x	11.2x

VALUATION

- Our FV is increased from EUR54 to EUR58. It is derived from the average between a DCF at EUR61, peer comparison at EUR51, historic multiples at EUR60 and PayPal's 2016 EV/TVP discounted by 15% to EUR59. For payment players not engaged in an overinvestment programme, we recommend that investors look at the PEG. Wirecard's own PEG is particularly compelling with a P/E of 22.2x compared with EPS growth of 33.9% over twelve rolling months.
- The stock is on our Q3 Top-Pick list.

NEXT CATALYSTS

- 26 September 2016: Analyst day in Munich.

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