

Wirecard

Price EUR44.47

Key points to take away from yesterday's conference call

Fair Value EUR58 (+30%)

BUY-Top Picks

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EURm)	5,495
Avg. 6m daily volume (000)	483.4

	1 M	3 M	6 M	31/12/15
Absolute perf.	1.4%	8.7%	8.7%	-4.4%
Softw.& Comp.				
SVS	-5.4%	-4.1%	5.3%	-0.2%
DJ Stoxx 600	-0.4%	-1.4%	1.1%	-7.5%

	2015	2016e	2017e	2018e
P/E	33.5x	24.3x	18.5x	15.2x
Div yield (%)	0.3%	0.3%	0.3%	0.4%

ANALYSIS

- **The interchange impact in 2016 was reiterated:** note that this has a negative impact on revenue of ~EUR30m in 2016 (it is exactly what we have in our model) but neutral on COGS and EBITDA, even with a small windfall profit of ~EUR0.5m-1m per quarter.
- **Wirecard's 2017 EBITDA guidance range is described as a "conservative" outlook** (guidance of EUR382m-EUR400m vs. cons. of EUR386.8m and BG est. of EUR406.5m). The midpoint of EUR391m is based on organic growth of 24%, >EUR13.0m contribution from Citi prepaid, and EUR6.2m derived from mobile (vs. EUR5m expected in 2016) which is also conservative.
- **The profitability expansion in the next few years** is set to be driven by growth in the European e-commerce market and additional global growth drivers, the increase in processed transaction volumes with existing/new clients, economies of scale and the contribution from recent acquisitions.
- **Wirecard has slightly updated its strategic plan (2020 targets)**, so it now takes into account Citi Prepaid Card (acquisition unveiled after the announcement of its mid-term plan): **1)** transaction volumes would increase from EUR45.2bn to over EUR170bn i.e. CAGR 2015-2020 >+30.3% (vs. over EUR160bn before i.e. CAGR >+28.8%; BG est.: EUR165bn, +29.6%), breaking down into +25% in Europe, +25% in the US, and +40% outside Europe (notably India); **2)** revenues of over EUR2.3bn i.e. CAGR 2015/20 of over +24.4% (vs. over EUR2.1bn before only in organic terms, i.e. CAGR 2015-20 of over +22,2%; BG est.: EUR2.2bn and +23.5% respectively); **3)** EBITDA margin maintained between 30-35% (BG est.: 31.6%); **4)** EBITDA to FCF conversion rate maintained to over 65%, limiting Capex to 7-8% of revenue over the period (BG est.: EUR56.3% and 7.8% respectively) with neutral to negative WCR in the near term. **Management described this 2020 projection as "conservative" on the revenue side and "realistic" on the transaction volume side.**
- **The next 12 to 18 months are expected to be driven by further dynamics of the digitalisation in several verticals** (consumer goods, travel & mobility, digital goods). As a pure online PSP, Wirecard is the prime beneficiary of the global trend of digitalization. And it is also benefiting from the mobile trend at the POS (Apple Pay, Alipay, Orange Cash...) and data driven services (expansion of the payment value chain thanks to these value added services for merchants).

VALUATION

- **Buy rating and FV of EUR58 maintained (Q4 Top Pick).** Even after taking into account yesterday's +7.5% increase in the share price, the stock is only trading at 13.0x its EV/EBITDA over 12 rolling months. And P/E of 20x vs. EPS growth of +32.7% over the same period.

NEXT CATALYSTS

- **The closing of the Citi Prepaid Card Services deal:** expected in December 2016/January 2017 (we have consolidated it as of 1st January 2017 in our model).

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