

## Wirecard

Price EUR41.36

Strong Q3, FY 2016 guidance confirmed and first guidance 2017

Fair Value EUR58 (+40%)

BUY-Top Picks

Bloomberg	WDI GR
Reuters	WDIG.DE
12-month High / Low (EUR)	47.4 / 31.2
Market Cap (EUR)	5,111
Ev (BG Estimates) (EUR)	4,592
Avg. 6m daily volume (000)	479.0
3y EPS CAGR	30.2%

	1 M	3 M	6 M	31/12/15
Absolute perf.	-5.7%	0.8%	1.1%	-11.1%
Softw. & Comp.	-6.3%	-5.8%	4.2%	-1.1%
DJ Stoxx 600	-0.2%	-2.0%	1.3%	-7.3%

YEnd Dec. (EURm)	2015	2016e	2017e	2018e
Sales	771.3	1,025	1,356	1,612
% change		32.9%	32.2%	18.9%
EBITDA	227	307	406	492
EBIT	197.4	271.0	359.0	435.6
% change		37.3%	32.5%	21.3%
Net income	163.8	226.1	296.1	361.7
% change		38.0%	31.0%	22.2%

	2015	2016e	2017e	2018e
Operating margin	25.6	26.4	26.5	27.0
Net margin	18.5	26.6	19.4	20.0
ROE	11.1	18.5	15.3	16.0
ROCE	29.5	25.6	28.4	31.1
Gearing	-54.1	-35.6	-36.7	-40.5

(EUR)	2015	2016e	2017e	2018e
EPS	1.33	1.83	2.40	2.93
% change	-	38.0%	31.0%	22.2%
P/E	31.2x	22.6x	17.3x	14.1x
FCF yield (%)	2.6%	3.7%	3.2%	4.8%
Dividends (EUR)	0.13	0.14	0.15	0.16
Div yield (%)	0.3%	0.3%	0.4%	0.4%
EV/Sales	5.7x	4.5x	3.3x	2.7x
EV/EBITDA	19.4x	15.0x	11.0x	8.7x
EV/EBIT	22.4x	16.9x	12.5x	9.9x



Wirecard just published its audited Q3 earnings results. Revenues (+33.2% Y/Y, +20% lfl) and EBITDA margin (30.5%) were already known thanks to preliminary figures on 26th October 2016. Over the first nine months, the group registered Y/Y growth of 36% and 30% lfl in transaction volumes processed (vs. +32.8% in H1). Management is expecting a positive business development in Q4 and confirmed its most recent FY 2016 guidance, i.e. EBITDA of between EUR298m and EUR312m (BG est. EUR306.8m; cons.: EUR303.6m). It also gave a first EBITDA guidance range for 2017, namely between EUR382 and EUR400m (vs. BG EUR406.5m and cons. EUR386.8m). We maintain our Buy rating and FV of EUR58. The stock is on our Q4 Top Pick List.

## ANALYSIS

- Q3 earnings results (audited):** 1) revenue came in at EUR267.6m i.e. +33.2% Y/Y and +20% lfl (vs. our EUR263.1m); 2) transaction volumes processed were at EUR16.2bn (+37% Y/Y, +31% lfl), breaking down into 68% Europe and 32% outside Europe; 3) EBITDA of EUR81.5m i.e. a margin of 30.5%, +60bp (vs. our EUR79.7m, margin of 30.3%); 4) adjusted EBIT of EUR70.7m i.e. a margin of 26.4%, +30bp; and 5) EPS of EUR0.40, i.e. +29% Y/Y.
- As a result, over the first nine months of 2016:** revenues grew by 33.0% Y/Y and by 20% lfl to EUR719.4m, with an EBITDA of EUR213.9m (margin of 29.7%, +40bp), an EBIT of EUR162.0m (margin of 22.5%, +50bp), an adjusted EBIT of EUR184.7m (margin of 25.7%, +40bp) and EPS of EUR1.75 (vs. EUR0.80 last year). Adjusted cash flow from operating activities stood at EUR179.2m (+34.4% Y/Y). Over this nine-month period, the group registered Y/Y growth of 36.2% and +30% lfl in transaction volumes processed to EUR43.6bn, including +69% outside Europe (representing 31% of the volume processed). As a reminder, this was a very good indication of the health of its top-line and, consequently, of its profitability as it is a fixed-cost structure business (~55%e, which corresponds to its cost of sales).
- FY16 guidance:** Management expects a positive business development in Q4 and confirmed its most recent guidance, namely for EBITDA of between EUR298m and EUR312m. The midpoint of EUR305m compares with our est. of EUR306.8m and Thomson Reuters consensus of EUR303.6m.
- First FY17 EBITDA guidance:** Wirecard's management gave its a range of EUR382-400m (midpoint of EUR291m) vs. cons. of EUR386.8m and BG est. of EUR406.5m. The EBITDA midpoint is based on an organic growth of 24% and >EUR13.0m contribution from Citi prepaid (USD20m and integration costs of USD5m). As usual, at this early stage, Wirecard is very cautious. In recent years, the group has regularly raised its EBITDA guidance (several times during the year) and for two years now it has published EBITDA above its initial guidance range. As a result, we are confident in our forecast.
- We maintain our last upgraded estimates:** We have FY16e revenue of EUR1,025.2m i.e. +32.9% Y/Y and +20.3% lfl (cons. EUR1,018.4m, +32.0% Y/Y), EBITDA of EUR306.8m i.e. margin of 29.9% +40bp (cons.: EUR303.6m) and restated net income of EUR226.1m i.e. margin of 22.1%, +90bp. Since the recent acquisition of Citi Prepaid Card Services in the US (to be consolidated in Q4), 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 simply because it recently acquired this business from Citi (add weight to the quality of Wirecard). By increasing its size, Wirecard should mechanically improve its margins.

## VALUATION

- We maintain our **Buy recommendation** and **FV of EUR58**. The stock is on our **Q4 Top Pick list**.
- Wirecard's EV/EBITDA over 12 rolling months is at only 12.0x. Over the same period, its **P/E is also very appealing at 18.6x compared with restated EPS growth of +32.7%**.

## NEXT CATALYSTS

- Q3 conference call:** today at 1:00pm.

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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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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
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	resolution (ACPR)			CP 2113
				Genève 1, CH 1211
				Tel +4122 731 3263
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