

Sector View

Payments

	1 M	3 M	6 M	31/12/15
Softw.& Comp.	3.9%	-2.8%	7.5%	3.0%
DJ Stoxx 600	4.8%	3.4%	6.3%	-3.3%

*Stoxx Sector Indices

Companies covered

Company	Recommendation	Market Cap.
GEMALTO	SELL	EUR52
Last Price	EUR53,3	EUR4,791m
INGENICO GROUP	BUY	EUR112
Last Price	EUR70,14	EUR4,313m
WIRECARD	BUY	EUR58
Last Price	EUR41,755	EUR5,159m
WORLDLINE	BUY	EUR32
Last Price	EUR24,155	EUR3,193m
WORLDPAY	NEUTRAL	278p
Last Price	260p	GBP5,200m



Several funds are considering the acquisition of Concardis

NEWS

- According to Reuters, several investment funds are about to submit bids to acquire Concardis, valuing it at over EUR600m (i.e. at the high end of the first estimated range of EUR360-550m), namely an expensive 16.5x operating profit 2016e. It seems that CVC, Bridgepoint and the consortium formed by Advent International and Bain Capital should submit offers early next week at the latest. Industrial players such as Wirecard would no longer be in the race.
- German savings banks and privately-held banks each own 39% of Concardis. Another 20% is held by cooperative banks. Shareholders including Deutsche Bank, Commerzbank and Unicredit have reported they want to sell out, while some of the other lenders may stay partially invested. The name of the new owner should be known early next year.
- More deals in the sector are likely to follow. In Germany, small peer Heidelberger Payment is currently also up for sale, while savings-banks owned B+S Card Service is looking for an investor.

ANALYSIS

- Back in October, Reuters already reported that German banks had launched the sale of jointly held payment group Concardis as some of the owners sought an exit to focus on other activities. The group is seeking a partner for investments in new technologies. The first offers were initially expected by early November. At that given time, we believed this rumour was plausible as we had already heard it by an industrial source a couple of months ago.
- Note that Concardis offers payment services focused on the acquiring business i.e. services to merchants (competitors: Worldpay, Worldline, Nets, Wirecard and to a lesser extent Ingenico). In 2015, the group posted sales of EUR480m, operating profit of EUR33.9m (margin of 7%) and a net profit of EUR24.2m (margin of 5%). It said in its annual report that operating profit were expected to rise 7% this year.

Positioning of Concardis

	Issuing transaction processing	Services to cardholders and issuers	Automated clearing house	Credit/debit transfers	Services to merchants	Acquiring transaction processing	Commercial acquiring	Acceptance POS / ecommerce	Services to new digital businesses
Concardis					•	•	•	•	

- Core offering

Source: Bryan, Garnier & Co ests.

PSPs ranking in the European market in 2015 (based on pro-forma revenue)

EURm	Nationality	% of group sales in payment services	% of payment services sales in Europe
Worldline + Equens	France	78%	95%
First Data	US	60%	16%
Nets	Denmark	85%	100%
Worldpay	UK	100%	67%
FIS	US	61%	24%
Concardis	Germany	100%	100%
Global Payments	US	100%	23%
Wirecard	Germany	100%	72%
SIA	Italy	92%	100%
Ingenico Group	France	32%	63%
B+S	Germany	100%	100%
TSYS	US	100%	12%

Source: Bryan, Garnier & Co ests.

VALUATION

- We maintain our view. Private equity groups with expertise in financial assets could be interested in Concardis (Advent Capital and Bain International, as well as Permira and Warburg Pincus, CVC...). It may also appeal to peers such as European players (Worldpay, Worldline, B+S) or US players (First Data). However, given the profitability and the need for investments in new technologies, we believe private equities are the most likely acquirers. In our view, if bids are

really over EUR600m, it would be very expensive (16.5x operating profit). This level of multiples corresponds to transaction multiples we are used to seeing for pure online players **whereas Concardis is mainly a physical PSP.**

NEXT CATALYSTS

- **The first offers for Concardis:** expected early next week at the latest.

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