

2018 - 19 Global Network Investment Competition

Team name: World ESMT

Participants:

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- Chia-Ju Yu
- Ashok Paudel
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Companies:

1. Wirecard - Online payments
2. Sartorius - Lab equipment
3. Bechtle - B2G IT services
4. Symrise - Fragrance/ Flavours
5. Xing - Online job portal

Top company for description: Wirecard

TOP COMPANY ANALYSIS

About Wirecard AG

Wirecard is one of the fastest growing financial commerce platforms that offers merchants and consumers a continuously expanding payment ecosystem over an integrated B2B2C approach. Wirecard AG is a global technology group that supports companies in accepting electronic payments from all sales channels. As an internationally leading independent provider, it offers outsourcing and white label solutions for electronic payments. International payments acceptances and methods with supplementary fraud prevention solutions can be provided via a global platform.

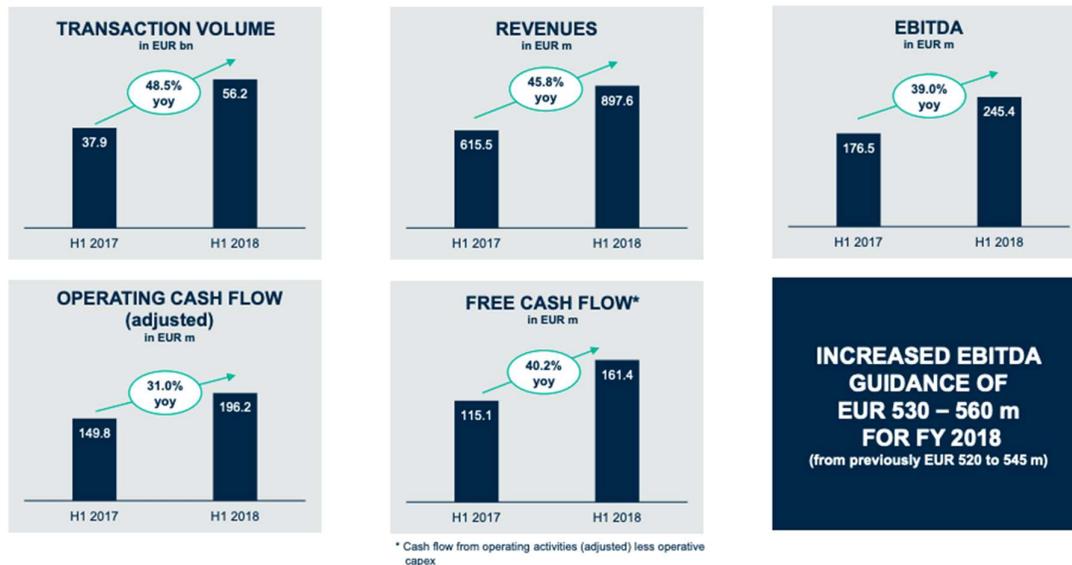
Acquiring and issuing services are linked to one another via the integrated platform which is based on Internet technology. With regard to issuing own payment instruments in the form of cards or mobile payment solutions, the Wirecard Group provides companies with an end-to-end infrastructure, including the requisite licenses for card and account products. The uniform platform approach and additional value-added services such as data analytics, customer loyalty programs or retail and transaction banking services support the customers and partners of the Wirecard Group to meet the challenges posed by digitalization.

Payment Industry

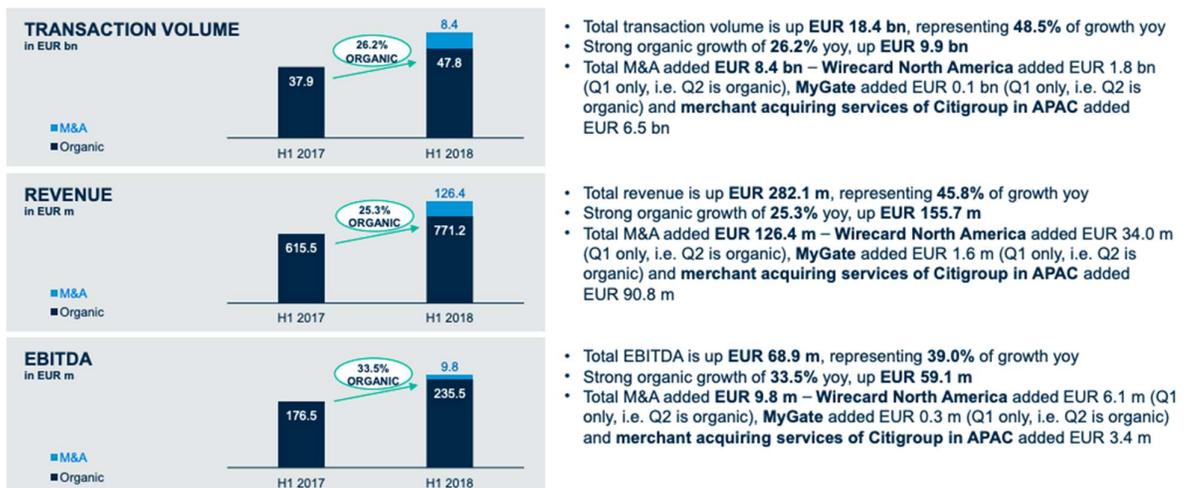
Wirecard plays a part in the payment industry as a service provider in the area of electronic payment processing. The business model of the industry is to enable transactions to be completed between customers and retailers by means of secure payment processes. Transactions between consumers and retailers can be processed via all sales channels in real time with the aid of credit card networks or alternative payment processes such as direct debit, invoice and hire purchase or e-wallets. Alongside consumers, retailers and card networks or suppliers of alternative payment systems, this process involves above all payment service providers (PSP), financial services institutions for the acceptance of card payments and card issuing institutions.

The competition and the interrelationships in the industry can be illustrated in simplified form using the four-party model. Credit card companies or suppliers of alternative types of payment provide secure networks or solutions for electronic transactions. Customers want to simply and securely conclude their transactions in real time and possess for this purpose a card product from a card issuing institution (issuer) or use an alternative payment method. It is important for retailers to offer their target groups their favored type of payment and to keep the number of cancelled purchases and payment defaults as low as possible. In order to process transactions via card networks and distribute money to the retailer's account, the retailer requires an acquirer. Only licensed financial services companies are permitted to offer issuing or acquiring services and thus to carry out the associated transfers of funds. A payment service provider is responsible for the technical processing of electronic payments and supplements these services mostly with risk management and fraud prevention solutions.

Key figures



Organic and M&A related growth

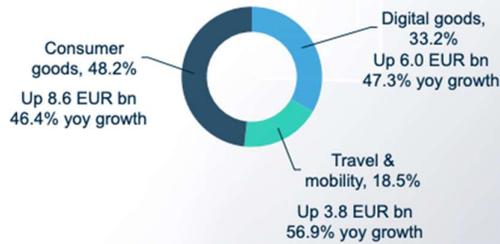


Merchant View

TRANSACTION VOLUME¹ BY INDUSTRY AND GEOGRAPHIES² H1 2018



Transaction volume¹ industry allocation



¹ Transaction volume: mainly acceptance and issuing means of payment along with associated value added services
² Geographic view is based on merchant location

Global megatrends driving wirecard's growth

6 GLOBAL PAYMENT MEGATRENDS...



... DRIVING OUR STRATEGY



WIRECARD'S USPS



VALUE CHAIN

Strong value chain with end-to-end fully digitised acquiring and issuing leading to gross margin advantages



DATA DRIVEN VALUE ADDED SERVICES

Increasing conversion through digitised data layer that connects data sources via dynamic algorithms (AI and self learning algorithms)

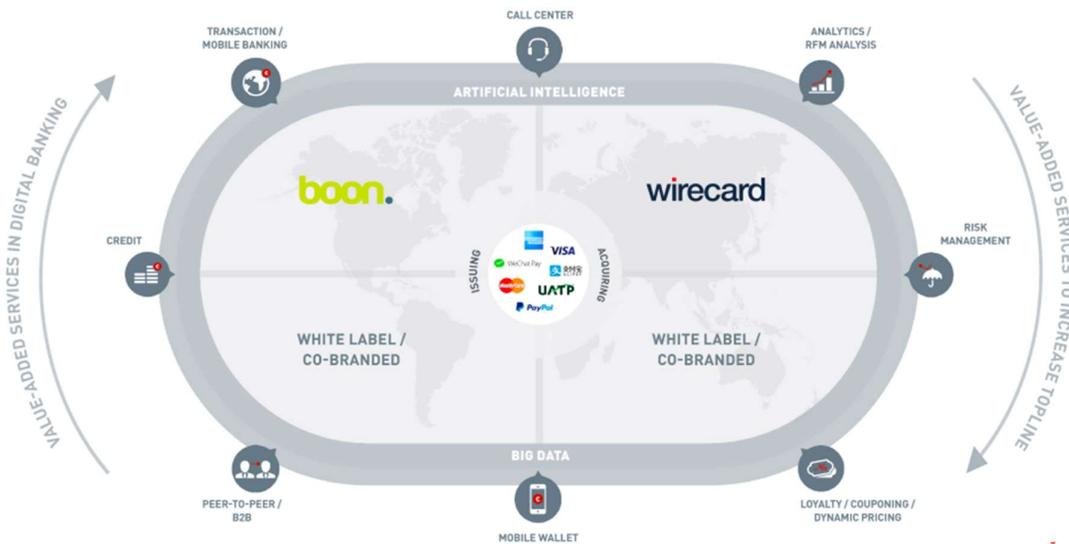


GLOBAL REACH

Most advanced in rolling out Wirecard's platform and innovations on a global scale

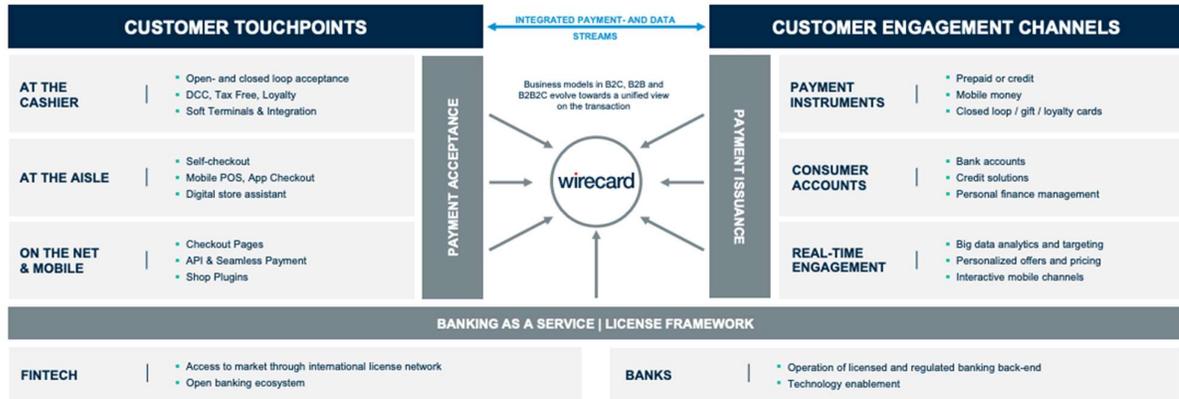
WIRECARD'S END-TO-END FINANCIAL COMMERCE PLATFORM

FULLY DIGITISED GLOBAL ACQUIRING AND ISSUING

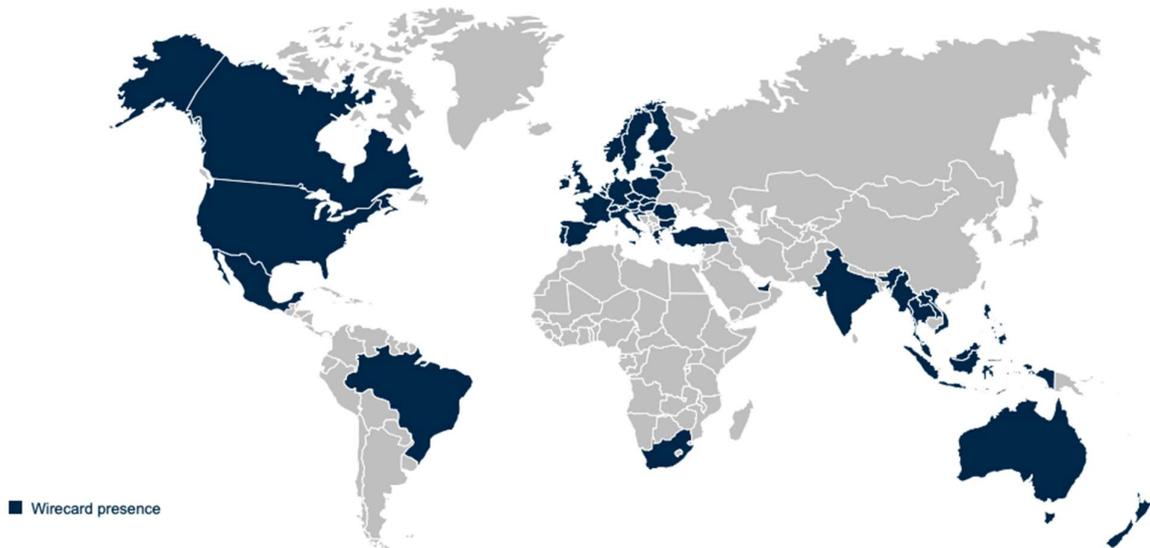


GENERATING NEW BUSINESS MODELS...

... BY COMBINING DIGITAL ACQUIRING AND ISSUING



GLOBAL REACH



COMPANY GUIDANCE

Detailed breakdown of guidance mid-point for FY 2018 of EUR 545 million

- Organic growth of > 28%
- EUR 27 million EBITDA contribution from Wirecard North America
- EUR 8 million EBITDA contribution from Cití's merchant acquiring business across APAC
- Increased EBITDA guidance for FY 2018 of EUR 530 to 560 million

WIRECARD'S VISIONARY PLAYING FIELD



80-85% cash transactions worldwide



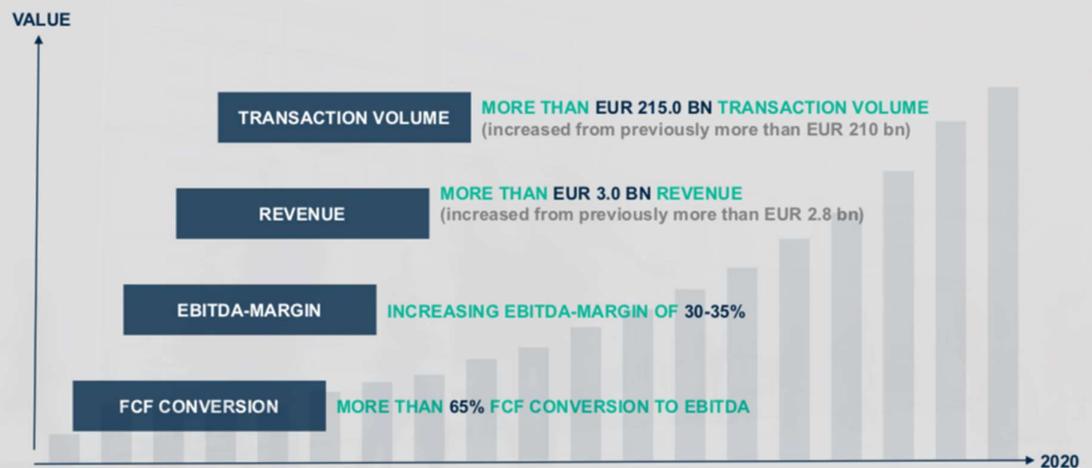
... whereas only 15-20% of all transactions are electronic



... with only 8% to 10% of all electronic transactions being fully digitized

LEAVING AN **ENORMOUS MARKET POTENTIAL** FOR WIRECARD

VISION 2020 UPDATED



FINANCIAL DATA

FINANCIAL HIGHLIGHTS

In EUR m	H1 2018	H1 2017	Change
Revenues	897.6	615.5	45.8%
EBITDA	245.4	176.5	39.0%
EBIT adjusted*	213.9	151.4	41.3%
EBIT	194.5	131.9	47.4%
Income tax expenses	29.8	17.8	67.7%
Earnings after taxes	153.3	104.5	46.6%
Earnings per share (basic and diluted) in EUR	1.24	0.85	45.9%
Cash flow from operating activities (adjusted)**	196.2	149.8	31.0%
Total equity***	1,734.4	1,635.2	6.1%
Total equity and liabilities***	4,952.9	4,527.5	9.4%
Employees as of 30.06.2018 / 30.06.2017	5,064	4,362	16.1%
thereof full-time employees	4,741	4,055	16.9%
thereof part-time employees	323	307	5.2%

* Adjusted for amortisation (M&A related)

** Consolidated cash flow from operating activities (adjusted)

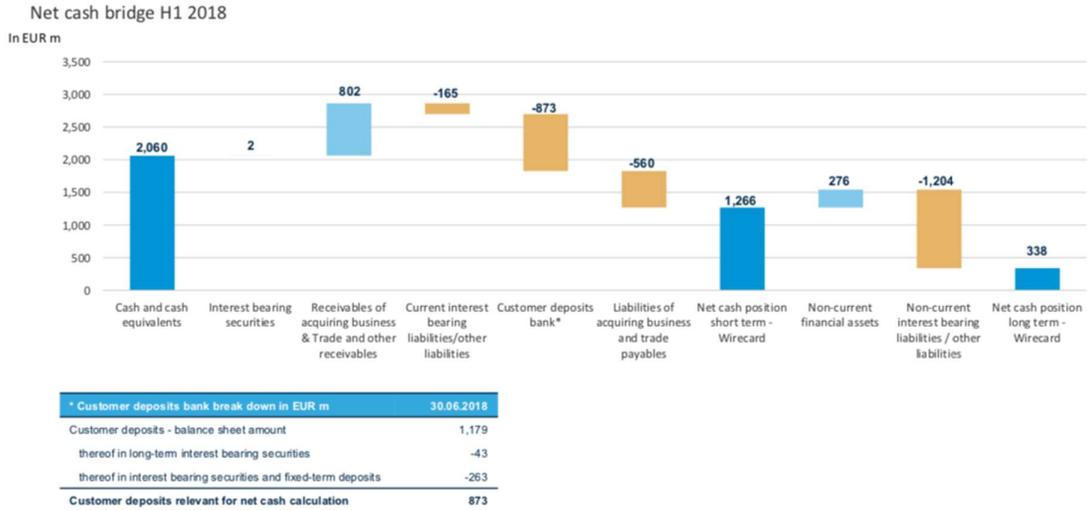
*** 2017 figures as of 31.12.2017

CONSOLIDATED INCOME STATEMENT

In EUR m	H1 2018	in % of revenues*	H1 2017	in % of revenues*
Revenues	897.6		615.5	
Own work capitalised	20.7		19.1	
Cost of materials	493.0	54.9%	323.5	52.6%
Gross profit	425.3	47.4%	311.0	50.5%
Personnel expenses	112.0	12.5%	85.8	13.9%
Other operating expenses	73.6	8.2%	57.4	9.3%
Other operating income	6.0	0.7%	8.6	1.4%
Share of profit or loss from associates (at equity)	-0.4	0.0%	0.0	0.0%
EBITDA	245.4	27.3%	176.5	28.7%
Amortisation and depreciation	50.9	5.7%	44.5	7.2%
EBIT	194.5	21.7%	131.9	21.4%
Financial result	-11.4		-9.6	
Earnings before taxes	183.1		122.3	
Income tax expenses	29.8	16.3%	17.8	14.5%
Earnings after taxes	153.3	17.1%	104.5	17.0%
EBITDA	245.4	27.3%	176.5	28.7%
Amortisation and depreciation (M&A adjusted)	31.5	3.5%	25.0	4.1%
EBIT adjusted**	213.9	23.8%	151.4	24.6%
Amortisation and depreciation (M&A-related)	19.4	2.2%	19.5	3.2%
EBIT	194.5	21.7%	131.9	21.4%

* Taxes on income and profit with regards to Earnings before Taxes (EBT)

NET CASH



Based on the above information, here is our valuation summary of Wirecard. We find the company poised to take on the growth after having some phase of consolidation.

Valuation Summary					
MARKET CAP	PE RATIO (FWD)	PEG RATIO (TTM)	PRICE / SALES	PRICE / BOOK	EV / EBIT
21.52B	-	0.89	9.25	10.63	39.17
ENTERPRISE VALUE	PE RATIO (TTM)	PRICE / CASH FLOW	EV / SALES	PRICE / TANG BOOK	EV / EBITDA
18.54B	58.44	33.18	8.77	54.54	31.02

The performance of Price to Earning ratio based on historical 5 year actual data of the company.



The Market Capitalisation of the company has grown consistently in the past five years.

Market Cap

1M 6M 1Y 5Y Add comparison ticker

WRCDF 21.52B
Market Cap



Here is the reproduction of the Price to Cash flow performance during the last 5 years.

Price / Cashflow

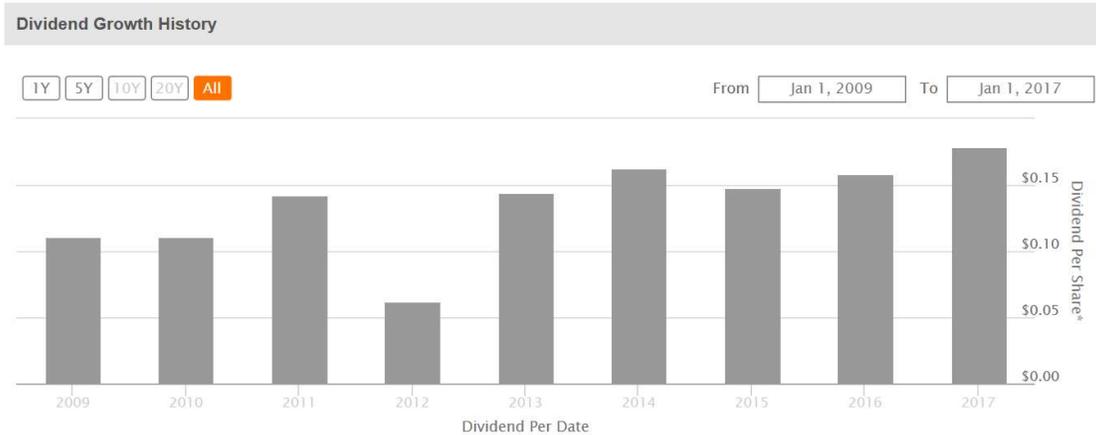
1M 6M 1Y 5Y Add comparison ticker

WRCDF 31.52
Price / Cashflow



Dividend Growth Summary

1 Year Growth Rate (TTM)	17.46%
3 Year Growth Rate (CAGR)	3.05%
5 Year Growth Rate (CAGR)	23.42%
10 Year Growth Rate (CAGR)	-
Years of Growth	3 Years



The below chart gives the fluctuations in the volume of trades in each day during the last one year. The company has very good liquidity and does not have hugely fluctuating stock price each day. This shows that the company is rightly valued and has tremendous potential for upward movement trajectory.

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OTC_DLY:WRCDF, D 174.1950 ▼ -9.2125 (-5.02%) O: 179.2400 H: 179.2400 L: 169.9500 C: 174.1950



Even though Wirecard has had a significant stock price increase during the preceding year, we continue to believe that the momentum is in the company's favor and we continue to remain bullish on the stock. We expect the company to move closer to its 50 day moving average price of \$ 207 within the coming month.

The company has a strong clientele base, a very strong financial position (stable revenue, strong cash position and accumulated reserves), and is poised to take advantage of the growing digital momentum picking up all over the world. Accordingly, in the longer horizon of 6 months, we believe the company will reach valuation of \$ 230.

OTHER COMPANIES ANALYSIS (250W)

Sartorius

The Sartorius group is an international biopharmaceutical and laboratory equipment supplier, covering the segments of Bioprocess Solutions and Lab Products & Services. Headquartered in Göttingen, company currently employs around 7,500 persons. The company *Bioprocess Solutions* division includes the segments filtration, fluid management, fermentation and purification and focuses on the production processes of the biopharmaceutical industry. *Lab Products & Services* division focuses on the production and servicing of laboratory instruments and consumables. Sartorius has its own production facilities in Europe, Asia and America as well as sales subsidiaries and commercial agencies in more than 110 countries. The Sartorius preference share has been traded at the German technology index TecDAX since 18 June 2012.

Strategic reasons to invest in Sartorius

- They clear focus on Biopharma sector that is posed to grow at a rate of 9% CAGR from a worldwide market of \$218 Billion to \$335 Billion
- Long-term growth drivers and significant market entrance barriers
- Market leading position in key technologies and recognized brand
- High share of recurring revenue as well as diversified earnings base
- Strong presence in growth regions
- Proven track record with alliances and acquisitions. In 2017, they acquired Essen BioScience for \$320 million and Umetrics a data analytics company for \$72.5 million. Many co-development agreements have been signed with other leaders in Biopharma such as Synpromics and Nova Biomedical.

This coupled with low debt (only 12% of EV) and record double digit growth (12.85% CAGR in the past 5 years) make it a very lucrative investment.

Bechtle

Bechtle AG is a German B2B and B2G IT company with revenue €3.57 billion and 4.6% EBT margin in 2017 and sells IT hardware and software, as well as related services to business and public-sector clients. Bechtle's ambitions as a leading IT company in Germany and Europe.

In the years from 2012 to 2017, Bechtle achieved average annual revenue growth of 11.4 % and EBT growth of 15.6 %.

In 2008, the Bechtle AG set itself ambitious growth targets in its most recent Vision 2020. By 2020, the group intends to generate total revenue of €5 billion, with an EBT margin of 5 % and an increase of

the workforce to 10,000. This goal requires average revenue growth of about 12 % a year along with an above-average increase in profitability of about 15 %.

The operating earnings was accompanied by a corresponding rise in the earnings per share (EPS). Based on the new number of voting rights of 42.0 million shares and earnings after taxes of €114.6 million, EPS amounted to €2.73, some 10.8 per cent or €0.27 more than in the prior year.

The market research currently estimates the total volume of the German IT market in 2017 at €77.9 billion and small and medium-sized companies still account for the largest market share by far in Germany. Bechtle's market share currently amounts to about 3 %. Due to the digitalization transformation in Germany, Bechtle has very high potential for the continuous business growth in the IT area.

Symrise

Symrise is a major producer of flavours and fragrances with a current market cap €9.7 billion and sales of €2.996 billion in 2017. With more than 9,000 employees and a portfolio of 30,000 products, Symrise generated €630 million in EBITDA while spending €196 million on R&D in 2017. The company is headquartered in Holzminden, Germany and has a global presence, with almost 6,000 customers in 160 countries. Sales grew by 6% over 2016 while the EBITDA margin of 21% makes Symrise one of the most profitable companies in this industry.

The company is highly poised to grow in the coming years. It is well positioned in the developing and emerging markets, with almost 44% of its sales generated from these regions and expects to take this up to 50% in the coming years. The company primarily relies on organic growth but seizes opportunities to carry out strategic mergers and acquisitions.

XING

Xing SE is a professional networking platform that operates internationally but is more common in Germany, Austria and Switzerland. The company has €1.50B market cap.

Today, tech industry's forecast estimate that the entire software industry will continue to grow, probably almost 20% for the year 2019 until reaching a likely almost 100% for the 2020. Technology is growing so fast that changes among this universe are huge or hard to predict, but still, they are supposed to aim higher constantly.

Reasons to invest in XING:

- Continuous growth over 20% for the past 5 years
- Very low debt (4%)
- Price have been slowing slightly down compare to other companies, so investing now in a company that will be benefited from the tech market growth is a good option.
-

Right now the tech industry could be overvalued, so even if the price of Xing is above the wider market (between 18 and 20), the price might still aim to the ceiling. Last year XING generated more than returns of 32%, showing a stronger number than that of the average.

While Xing's price might be a little bit higher, is a risk that will pay off in the future.

BIBLIOGRAPHY

1. Wirecard AG 2017 Annual report
2. <https://seekingalpha.com/symbol/WRCDF>