

Techbanking financials amid increasing market competition

Bloomberg Adria

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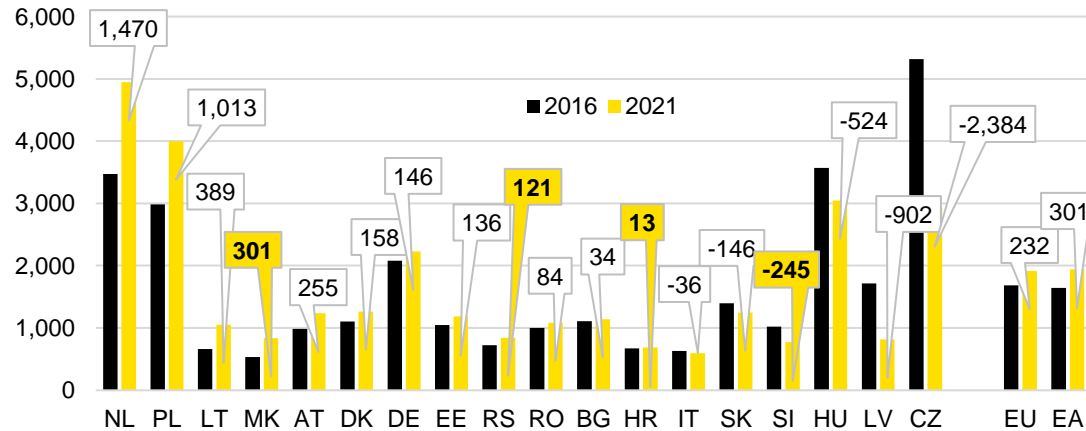
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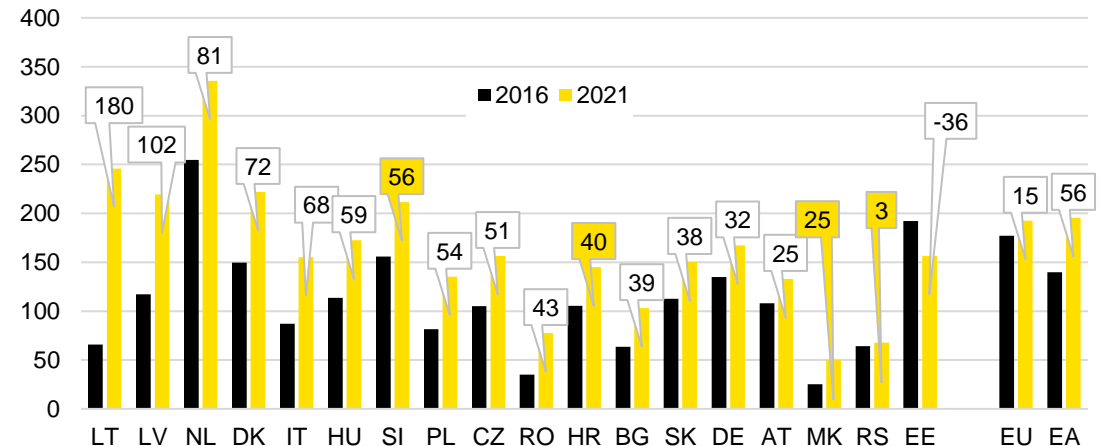
Macro trends

- Value of the EU cashless payments shaped a **CAGR of almost 4% since 2013** onwards, only to advance to a **CAGR of 6% since 2016**
- In Adria region, value of cashless payments as % of GDP among the lowest in Europe; only North Macedonia is converging quickly to the European leaders
- Number of cashless payments per transaction account - Croatia and Slovenia around the European averages; Serbia and North Macedonia far behind
- Early signs of speed-up in 2022!

Cashless payments - as % of GDP in 2021
sorted descending by changes as pp of GDP (in callouts) since 2016



Cashless payments - # per transaction account in 2021
sorted descending by # changes per transaction (in callouts) since 2016



Peer group financials

1

Selected payment processing peers delivered **8.5%** average yoy sales growth in 2021

2

Aggregated sales in 2021 was **3.2%** higher than aggregated sales in 2019

3

Employee expenses generally the highest share of P&L expense

4

Average profitability margins are **double-digit**, but with company specific differences (e.g. depreciation)

5

Peer ROE potentially misleading due to negative capital at Monri – **w/o Monri, peer average ROE would be at 32%**

Company name	Sales EUR in millions			Sales growth %			EBITDA margin %			EBIT margin %			ROE %			ROIC %			Net debt/EBITDA		
	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Payten (RS)	12.1	15.2	18.4	20.7	25.7	20.8	37.5	31.7	35.9	17.1	12.7	15.1	18.4	13.4	16.7	12.5	8.4	12.1	0.8	0.6	(0.0)
Euronet Services (RS)	10.8	11.1	11.8	8.7	2.8	5.6	37.9	29.9	29.7	36.0	27.0	26.4	94.8	56.4	83.9	93.5	67.0	58.6	(0.9)	(0.9)	(1.7)
Bankart (SI)	32.4	32.9	34.9	9.7	1.6	6.3	23.3	21.6	24.0	9.2	7.7	9.2	14.4	10.9	13.1	13.3	9.6	11.0	(0.2)	(0.6)	(0.9)
Nets CEE (HR)	42.6	32.8	37.5	17.8	-22.9	14.2	20.0	23.9	28.2	8.3	6.3	11.2	7.1	4.8	7.8	6.3	3.6	7.2	(0.5)	(0.7)	(0.8)
Payten (HR)	16.8	14.6	13.6	-5.4	-13.2	-6.8	33.1	35.4	40.2	17.0	17.7	23.6	33.1	22.7	28.9	20.3	16.1	18.1	0.5	0.2	0.0
Monri Payments (HR)	1.1	1.7	3.4	15.3	45.2	107.5	-15.5	-9.2	16.3	-16.2	-10.2	15.5	n.a.	n.a.	-184.2	n.a.	n.a.	252.5	(1.6)	(1.3)	(0.2)
Chip-card (RS)	3.3	3.6	5.2	37.2	7.9	46.2	27.1	35.6	35.5	11.8	18.9	22.9	12.2	20.7	29.5	10.8	15.3	22.5	(0.3)	0.1	(0.2)
Nets CEE (SI)	19.3	19.4	18.7	16.8	0.4	-3.6	12.4	16.4	23.0	0.0	-2.5	7.6	-1.2	-5.6	16.0	0.0	-4.5	13.4	1.5	0.7	(1.4)
Halcom (RS)	4.3	4.7	4.7	12.5	7.6	0.3	9.3	12.1	10.0	7.8	10.0	7.4	65.1	82.2	62.3	63.2	81.9	56.2	(0.6)	(0.0)	(0.0)
Halcom (SI)	8.9	8.3	8.3	-0.5	-7.2	0.3	30.4	28.4	16.8	24.8	21.7	8.4	59.8	49.1	29.3	42.6	38.0	15.9	(0.0)	(0.0)	(0.1)
Average	15.2	14.4	15.6	13.3	-5.0	8.5	21.5	22.6	26.0	11.6	10.9	14.7	33.7	28.3	10.3	29.2	26.1	46.8	(0.1)	(0.2)	(0.5)
Median	11.5	12.8	12.7	13.9	12.1	-1.4	25.2	26.1	26.1	10.5	11.4	13.2	18.4	20.7	22.8	13.3	15.3	17.0	(0.2)	(0.0)	(0.2)

Global peers performance

1

Sales growing strongly on new merchant acquiring, increase in payment processing volume, services sold primarily to issuers and M&As

2

Higher indebtedness with net debt/EBITDA ratio of 3X

3

Wider distribution of profitability margins

4

Short-term profitability losses from merger and/or take-over costs

5

Adyen's strategy stands out – concentration on big clients

Company name	Sales EUR in millions			Sales growth %			EBITDA margin %			EBIT margin %			ROE %			ROIC %			Net debt/EBITDA		
	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022	2020	2021	2022
Adyen	3,641	5,995	8,936	37.1	64.6	49.0	11.1	10.5	8.2	10.3	9.9	7.4	24.4	31.0	26.7	25.9	29.7	23.7	(6.5)	(7.1)	(8.7)
Fidelity	11,011	11,739	13,824	21.5	10.6	4.7	35.7	37.7	(83.2)	4.4	7.6	(111.0)	0.3	0.9	(44.8)	0.5	0.8	(26.8)	4.2	3.5	n.a.
Global Payments	6,512	7,211	8,540	51.1	14.8	5.3	35.5	37.9	27.0	12.0	15.9	7.1	2.1	3.6	0.5	2.1	3.1	0.6	3.1	3.3	5.3
Fiserv	13,028	13,727	16,877	45.8	9.3	9.3	35.4	34.8	40.0	12.5	14.1	21.1	2.9	4.2	8.2	2.5	3.2	5.6	3.9	3.7	3.0
Worldline	2,463	3,689	4,364	3.4	49.8	18.3	22.3	25.3	15.4	8.2	8.2	7.7	2.6	(8.1)	3.2	1.2	1.2	1.4	6.4	3.7	3.3
Nexi	1,560	2,801	5,208	0.4	79.5	85.9	28.7	20.5	n.a.	13.5	2.1	5.1	8.9	0.7	1.1	2.8	0.4	n.a.	5.8	8.0	n.a.
Paypal	18,819	21,463	26,184	20.7	18.3	8.5	21.6	22.4	19.3	15.3	16.8	13.9	22.8	20.0	11.5	10.5	14.3	9.0	(0.7)	(0.1)	0.1
Affirm	461	730	1,199	92.7	70.8	55.0	(19.3)	(40.0)	(59.2)	(21.2)	(44.1)	(64.2)	(25.8)	(17.1)	(27.2)	(0.3)	(14.1)	(13.5)	n.a.	n.a.	n.a.
Block	8,331	14,941	16,682	101.5	86.0	(0.7)	1.3	2.1	(1.2)	(0.2)	0.9	(3.6)	9.7	5.6	(5.3)	(0.4)	2.3	(3.9)	(6.5)	(0.8)	n.a.
Average	7,314.1	9,144.1	11,312.6	41.6	25.0	23.7	19.1	16.8	(4.2)	6.1	3.5	(12.9)	5.3	4.5	(2.9)	5.0	4.5	(0.5)	1.2	1.8	0.6
Median	6,511.9	7,210.8	8,935.6	37.1	10.7	23.9	22.3	22.4	11.8	10.3	8.2	7.1	2.9	3.6	1.1	2.1	2.3	1.0	3.5	3.4	3.0

Source: Financial statements, Bloomberg Adria analytics

M&A Activity

Biggest global transactions in recent years:

- ❑ Worldline merger with Ingenico - €8.6bn (EV/EBITDA ~16x)
- ❑ Mergers Nexi + Nets + SIA - implied EV/EBITDA of 20x
- ❑ Fidelity International Services acquisition of Worldpay – EV of €36.2bn

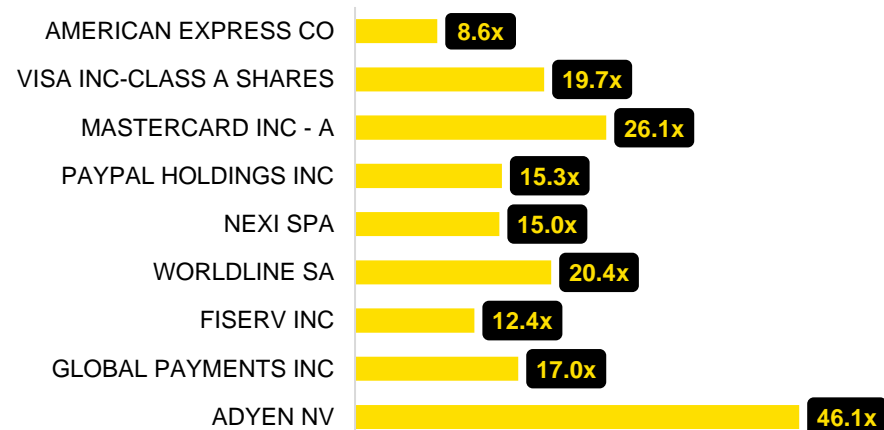
Trends other than M&A:

- ❑ Banks seeking partners or disposing of their own units and specialized players ramping up their business
- ❑ Partnerships in payments, sales of merchant-acquiring businesses

EV/EBITDA multiples in precedent transactions

Acquirer	Target	EV/EBITDA multiple
Worldline	Ingenico	16x
Nexi	Nets	20x
Nexi	Sia	19x
Fidelity	Worldpay	24x
Average		20x

EV/EBITDA multiples of listed payment providers

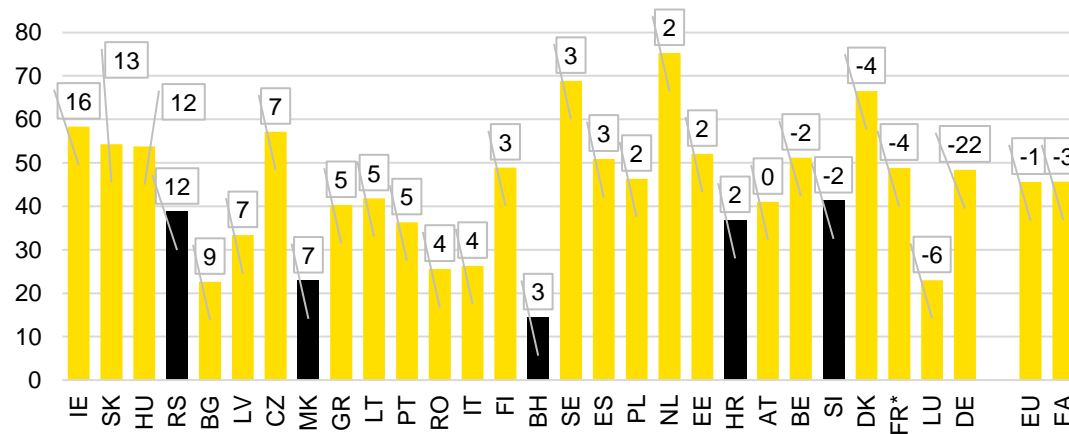


Outlook

- ❑ Value growth of cashless transactions will outweigh lower pricing
- ❑ Profitability will hugely benefit from operating leverage
- ❑ We anticipate continuous rise in payment processing value in Adria region grounded on two principal factors:
 1. rising penetration of cashless transactions in the long term from currently low base, and
 2. above-average inflation positively affecting payment value size in the short term.

- ❑ Sizeable potential in e-commerce
 - Adria countries still stand at the lower end of e-shoppers ratio distribution in Europe
 - Consumer habits are highly important
 - 3P model rollout by certain companies in the region to make a difference

Online purchases in 3 months - % of surveyed population
sorted descending according to changes 2022 vs 2020 (in callouts as pp)



Source: Bloomberg, Bloomberg Adria analytics

Outlook

□ Take rates (i.e. commissions) of payment processors will, in our opinion, have an opposite course for the following reasons:

1. market competition between existing players,
2. new competition arising from innovative payment solutions, and
3. higher contractual rebates (i.e. lower commissions/take rates) going along with higher processing volume with existing merchants



Thank you!

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