

Paysafe

Clarifying position on Turkish exposure

Update

Software & comp services

23 May 2017

Price 474.6p
Market cap £2,298m

Net debt (\$m) at end FY16 279.8
*Includes deferred financing fees

Shares in issue 484.3m

Free float 98.7%

Code PAYS

Primary exchange LSE

Secondary exchange N/A

In a follow-up to its December report, Spotlight Research claims that Paysafe is processing online gambling transactions in Turkey, a country in which online gambling is illegal. The company confirms that this is not the case, and that non-gambling-related processing in Turkey does not make a material contribution to earnings. We make no change to our forecasts and our investment thesis is unchanged.

Year end	Revenue (\$m)	EBITDA* (\$m)	EPS* (c)	DPS (c)	P/E (x)	EV/EBITDA (x)
12/16	1,000.3	300.8	42.1	0.0	14.7	10.8
12/17e	1,103.9	332.5	44.6	0.0	13.8	9.8
12/18e	1,203.0	364.8	48.6	0.0	12.7	8.9
12/19e	1,298.1	398.9	52.7	0.0	11.7	8.2

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments

Short-seller Spotlight Research has published two follow-up reports to its December 2016 report. One reiterates its view that Paysafe's exposure to Chinese online gambling is larger and of higher risk to earnings than is currently factored in by the market. We estimate that the total loss of the Asia gateway business (reported in Payment Processing) would reduce Paysafe's FY17 EPS by c 20%, which in our view is more than reflected in the current valuation.

The second is a detailed report purporting to prove that Paysafe processes online gambling transactions in Turkey, despite this being illegal. Paysafe has stated that it limits processing in this territory to non-gambling related services (wallet and paysafecard only), which in any case do not make a material contribution to earnings. Despite the presence of its Neteller, Skrill and paysafecard logos (alongside Visa and Mastercard) on Turkish language online gambling websites, the company confirms that any transactions originating from these websites are blocked by Paysafe. It also confirms that it does not process for other brands in Turkey. We see no reason to change our views on the back of this report.

Share price performance



Business description

Paysafe Group is a global payment solutions specialist operating in three areas: payment processing, digital wallets and prepaid services.

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