

## Euronet Worldwide (EFT)

**\$75.98** (As of 04/01/20)

Price Target (6-12 Months): **\$65.00**

Long Term: 6-12 Months

**Zacks Recommendation:** Underperform

(Since: 03/26/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**5-Strong Sell**

Zacks Style Scores:

VGM:D

Value: F

Growth: B

Momentum: B

### Summary

Euronet Worldwide's escalating expenses weigh on margin expansion. Also, the company is exposed to foreign currency exchange primarily due to collection of money in other currencies, cross-currency fund transfer continues to bother. It withdrew its initial guidance for the first quarter of 2020 due to the coronavirus or COVID-19 effect on global economy. Its shares have underperformed its industry in a year's time. However, its strong position is backed by constant expansions through strategic acquisitions, favorable results of the Electronic Funds Transfer and Money Transfer segments. Its revenues have been consistently growing on the back of its diversity across products and geographies along with solid contributions by its segments. Its balance sheet is impressive. It has been lowering its debt levels over the past couple of years.

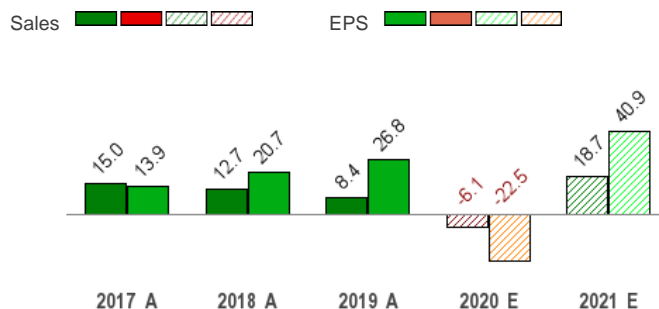
### Price, Consensus & Surprise



### Data Overview

52 Week High-Low	\$171.25 - \$61.27
20 Day Average Volume (sh)	1,190,917
Market Cap	\$4.1 B
YTD Price Change	-51.8%
Beta	1.33
Dividend / Div Yld	\$0.00 / 0.0%
Industry	<a href="#">Financial - Miscellaneous Services</a>
Zacks Industry Rank	Top 35% (88 out of 254)

### Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.2%
Last Sales Surprise	-2.6%
EPS F1 Est- 4 week change	-31.4%
Expected Report Date	05/04/2020
Earnings ESP	-6.1%
P/E TTM	10.8
P/E F1	14.0
PEG F1	1.1
P/S TTM	1.5

### Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	656 E	783 E	874 E	784 E	3,067 E
2020	603 E	611 E	700 E	670 E	2,583 E
2019	578 A	692 A	787 A	694 A	2,750 A

### EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$1.05 E	\$2.12 E	\$3.40 E	\$1.89 E	\$7.65 E
2020	\$0.85 E	\$1.23 E	\$1.99 E	\$1.36 E	\$5.43 E
2019	\$0.85 A	\$1.69 A	\$2.84 A	\$1.63 A	\$7.01 A

\*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/01/2020. The reports text is as of 04/02/2020.

## Overview

Founded in 1994 and headquartered at Leawood, KS, Euronet Worldwide is a leading electronics payments provider. The company offers payment and transaction processing and distribution solutions to financial institutions, retailers, consumers and service providers.

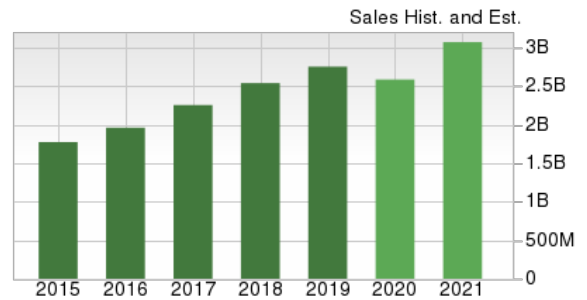
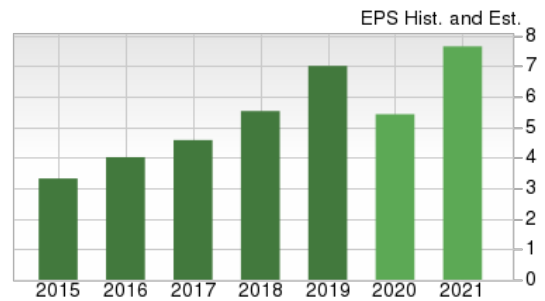
The primary products include comprehensive automated teller machine (ATM), point-of-sale (POS), card outsourcing, card issuing and merchant acquiring services; software solutions; electronic distribution of prepaid mobile airtime and other electronic payment products; foreign exchange services and global money transfer services.

The company reports through the following segments:

**The Money Transfer Segment (reporting 40% of total revenues in 2019)** provides global consumer-to-consumer money transfer services and global account-to-account money transfer services. Additionally, the segment offers customers bill payment services, payment alternatives such as money orders, check cashing services for a variety of issued checks along with competitive foreign currency exchange services and mobile top-up.

**The epay Segment (28%)** offers distribution and processing of prepaid mobile airtime and other electronic content and payment processing services for various prepaid products, cards and services throughout its worldwide distribution network.

**The EFT Processing Segment (32%)** offers comprehensive electronic payment solutions, consisting of TM cash withdrawal and deposit services, ATM network participation, outsourced ATM and POS management solutions, credit and debit card outsourcing plus card issuing and merchant acquiring services. Furthermore, the segment provides a wide array of value added services.



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## Reasons To Sell:

- ▼ **Overvalued:** Euronet's valuation looks expensive at the current level. Looking at the company's price-to-earnings (P/E) ratio, investors might not want to pay further premium. The company has a trailing 12-month P/E ratio of 11.4, significantly higher than the industry average of 8.7.
  - ▼ **Rising Expenses:** The company has been witnessing rising operating expenses over the years inducing margin contraction. This also caused erosion of earnings per share. During 2018 and 2019, expenses again rose 9.7% and 6.6% year over year, respectively. Its expenses should remain elevated going ahead as the company consistently invests in technology and other expansion initiatives.
  - ▼ **Exposure to Adverse Forex Fluctuations:** Euronet is exposed to foreign currency exchange risk due to collection of money in other currencies, derivative contracts with customers involving cross-currency fund transfer and short-term borrowings payable in different currencies. Although the company didn't face any loss due to this in 2019, the headwind still persists for the company.
  - ▼ **Withdraws Q1 Outlook on Coronavirus Impact:** Euronet withdrew its initial guidance for the first quarter of 2020 due to the coronavirus effect on global economy. The company's EFT segment has been witnessing a downtrend in international transactions due to travel restrictions imposed by the respective governments. Its epay segment also noticed certain pressure on its overall transactions because of population movement restraints as well as hike in transaction volume and increased size of transaction. All these could dent the company's revenues going forward.
  - ▼ **Price Performance:** Shares of Euronet Worldwide have underperformed its industry in a year's time. Headwinds facing the company would likely continue to put a pressure on the stock going forward.
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Rising expenses weighs on the company's margins. It might continue to grow as the company consistently invests in technology and other expansion initiatives.

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## Risks

- **Consistent Revenue Growth:** The company's top-line improvement has been impressive, witnessing a CAGR of 11.6% during the 2015-2019 period on the back of solid segmental results and its diversity across products and geographies. With more products, and services as well as new and exciting geographic options, Euronet is well-positioned to continue with these strong growth rates going forward.
  - **Expansion and Inorganic Growth:** The company's strong inorganic growth strategy has worked in its favor. Euronet exited 2019 with 46070 ATMs, up 14% year over year. Several initiatives, such as the ATM network participation agreements and launch of card issuing products poise the company well for growth.
  - **Strong Performance of the EFT Segment:** This segment has been witnessing solid growth driven by the company's steady focus on deploying more devices across extended markets and its ability to develop an advanced technology for new products on both ATMs and POS terminals for optimizing and enriching the customer experience. This segment contributed 30% and 32% to 2018's and 2019's total revenues owing to higher transactions in Europe and the Asia Pacific. As of Dec 31, 2019, this segment processed transactions for 46070 ATMs, up 14% year over year. In 2019, EFT transactions grew 12% on the back of ATMs and point of sale networks. Going forward, the company believes that the enhancement of its outsourced management solutions in the new and existing markets would steadily offer a significant business opportunity for the segment.
  - **Strong Performance of the Money Transfer Segment:** This segment is consistently delivering favorable growth of the physical and digital distribution channels, evident from its 2015-2019's CAGR of 13%. The upside can be attributable to higher money transfers, growth in the foreign agent and correspondent payout networks. As of 2019 end, the Money Transfer network reached around 397,000 locations across 160 countries. Certain acquisitions made by this segment should lead to its long-term growth. The segment's Ria Money Transfer is constantly expanding on the back of alliances, evidenced by its 5% stake in the international remittance market. The Money Transfer Segment witnessed stronger-than-expected volume in the initial weeks of March as customers were making the most of the volatility in foreign exchange rates in the recent coronavirus scenario.
  - **Strong Performance of the epay Segment:** This has also been performing well for the last many quarters. In 2018 and 2019, the segment contributed 29% and 28% to the company's total revenues, respectively, on the back of higher transactions, expansion of digital media products and SaaS solutions. epay transactions grew 27% in 2019. As of Dec 31, 2019, the segment operates through a network of around 728,000 POS terminals providing electronic processing of digital media and prepaid mobile airtime top-up services in Europe, the Middle East, Asia Pacific, the United States and South America.
  - **Strong Balance Sheet:** The company's leverage is low compared with the industry average. Its total debt to equity ratio stands at 84.8%, lower than its industry's average of 187.6%. Moreover, its times interest earned, a ratio that measures its ability to pay its interest expenses, improved from 6.7 in 2015 to 10.04 in 2019. Currently, it stands at 12.9, higher than the industry average of 5.7. Moreover, its cash and cash equivalents have been increasing from the past several years, skyrocketing nearly 104.2% to the figure at 2018 end. This reflects the company's solid balance sheet position.
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## Last Earnings Report

### Euronet's Q4 Earnings Beat Estimates, Improve Y/Y

Euronet Worldwide delivered fourth-quarter 2019 earnings of \$1.63 per share, beating the Zacks Consensus Estimate by 1.2%. Also, the bottom line improved 19% year over year on higher revenues and a greater number of transactions.

The company's net income soared 73.6% to \$1.91 earnings per share in the quarter under review.

Total revenues were \$694 million, up 6.9% from the year-ago quarter.

However, the top line missed the Zacks Consensus Estimate by 2.5%.

Euronet's total transactions were 1.28 billion, having increased 19% year over year.

Adjusted operating income rose nearly 26% to \$107.2 million.

### Segmental Results

EFT Processing Segment's total revenues grew 21% (23% in constant currency) year over year on the back of higher transactions and a rise in operated ATMs. Adjusted EBITDA of \$71.9 million soared 55% (58% at cc) from the year-ago period. Operating income was \$52.5 million, up 134% year over year (up 139% on constant currency basis).

The epay Segment's total revenues inched up 1% year over year to \$218 million (4% up on constant currency basis). Adjusted EBITDA amounted to \$35.3 million, improving 15% from the year-earlier figure (18% up on constant currency basis). Operating income stands at \$33.6 million, up 15% year over year (17% on constant currency basis). Reported transactions were 437 million, up 27% year over year. This segmental growth was driven by consistent digital media.

The Money Transfer Segment's total revenues climbed 3% (4% at cc) year over year to \$281.9 million, backed by 4% higher transactions. Adjusted EBITDA amounted to \$41.3 million, reflecting a 7% decline (5% decrease at cc) from the prior-year quarter. Operating income totaled \$33 million, up 15% in constant currency. This segment reported total transactions of 29.7 million, up 4% year over year.

Corporate and Other Segment reported an expense of \$11.9 million for the reported quarter, up 21.4% year over year.

### 1Q20 Guidance

Euronet expects adjusted earnings per share for the first quarter of 2020 to be nearly 95 cents (assuming forex and share price to be stable), worse than the Zacks Consensus Estimate of \$1.04.

### Financial Update

Total assets at fourth-quarter end were \$4.6 billion, up 40.2% from the level at 2018 end.

Cash and cash equivalents skyrocketed nearly 104.2% to \$786.1 million from the figure at 2018 end.

Debt obligations, net of current portion surged 85% year over year to \$1.09 billion.

### Full-Year Results

For 2019, the company's revenues came in at \$2.7 billion, up 8% year over year.

Quarter Ending **12/2019**

Report Date	Feb 11, 2020
Sales Surprise	-2.62%
EPS Surprise	1.24%
Quarterly EPS	1.63
Annual EPS (TTM)	7.01

## Recent News

### Euronet Withdraws Q1 Outlook on Coronavirus Impact — Mar 21, 2020

Euronet withdrew its initial guidance for the first quarter of 2020 due to the coronavirus effect on global economy. The company earlier provided its adjusted earnings per share outlook for the first quarter of 2020 (assuming that foreign currency exchange rates and share price remain stable through the end of the period) to be approximately 95 cents.

The company's EFT segment has been witnessing a downtrend in international transactions due to travel restrictions imposed by the respective governments. Its ePay segment also noticed certain pressure on its overall transactions because of population movement restraints as well as hike in transaction volume and increased size of transaction, driven by higher consumer usage of mobile devices and streaming as well as gaming applications.

### Euronet's Unit to Continue Services Amid Coronavirus Crisis — Mar 20, 2020

Ria Money Transfer will continue its money transfer services across 160 countries amid the recent coronavirus (COVID-19) crisis.

Ria Money is also taking precautionary measures against the novel coronavirus pandemic and limit the spread of the virus. Remittances are considered to be vital for a number of people staying abroad, who need to provide support to their families at their homes. In order to support the people in this period of crisis, online services will remain available to customers. Further, the services of Ria money are available to the customers in the United States through Walmart2World.

### Euronet's Unit Debuts in Singapore for Easy Fund Transfer — Feb 25, 2020

Euronet's unit Ria Money Transfer along with a leading player in the money transfer industry recently announced its first store in Singapore. This store in the Little India geography will enable customers to send funds at competitive foreign exchange rates. The money transfer can be done via Ria Money's wide network of more than 397,000 locations across 160 countries.

## Valuation

Euronet's shares are down 52% and 46.5% in the year-to-date period and over the trailing 12-month period, respectively. Stocks in the Zacks sub-industry and the Zacks Finance sector are down 32% and 30% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 30.4% and 23.2%, respectively.

The S&P 500 index is down 19.7% in the year-to-date period and 10.3% in the past year.

The stock is currently trading at 12.7 trailing 12-month price to earnings ratio, which compares to 8.7 for the Zacks sub-industry, 11.2 for the Zacks sector and 16 for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.4 and as low as 8.9, with a 5-year median of 19.4. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$65 price target reflects 10.9 price to earnings ratio.

The table below shows summary valuation data for EEFT

Valuation Multiples - EEFT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	12.7	8.7	11.2	16
	5-Year High	24.42	14.15	16.21	19.33
	5-Year Low	8.87	8.7	11.2	15.18
	5-Year Median	19.4	11.5	13.9	17.44
P/S F12M	Current	1.33	1.23	5.99	2.81
	5-Year High	3.1	1.92	6.65	3.43
	5-Year Low	1.21	1.05	5.39	2.55
	5-Year Median	1.99	1.39	6.03	3
P/B TTM	Current	2.6	1.24	1.97	3.48
	5-Year High	6.79	2.77	2.89	4.55
	5-Year Low	2.35	1.02	1.69	2.85
	5-Year Median	4.7	2	2.52	3.63

As of 04/01/2020

## Industry Analysis Zacks Industry Rank: Top 35% (88 out of 254)



## Top Peers

Houlihan Lokey, Inc. (HLI)	Outperform
PRA Group, Inc. (PRAA)	Outperform
Global Payments Inc. (GPN)	Neutral
MoneyGram International Inc. (MGI)	Neutral
Square, Inc. (SQ)	Neutral
Visa Inc. (V)	Neutral
Virtu Financial, Inc. (VIRT)	Neutral
WEX Inc. (WEX)	Neutral

Industry Comparison Industry: Financial - Miscellaneous Services				Industry Peers		
	EEFT Underperform	X Industry	S&P 500	GPN Neutral	VIRT Neutral	WU Neutral
<b>VGM Score</b>	<b>D</b>	-	-	<b>F</b>	<b>F</b>	<b>A</b>
Market Cap	4.07 B	170.18 M	16.87 B	39.95 B	4.08 B	7.27 B
# of Analysts	3	3	13	15	3	8
Dividend Yield	0.00%	0.00%	2.53%	0.59%	4.52%	5.11%
<b>Value Score</b>	<b>F</b>	-	-	<b>D</b>	<b>C</b>	<b>B</b>
Cash/Price	0.31	0.37	0.06	0.04	0.66	0.18
EV/EBITDA	6.53	5.31	10.63	26.80	15.22	5.23
PEG Ratio	1.07	1.18	1.69	0.97	NA	0.35
Price/Book (P/B)	2.60	0.72	2.30	1.43	3.30	NA
Price/Cash Flow (P/CF)	8.18	5.55	9.07	18.94	12.13	7.35
P/E (F1)	14.25	8.22	14.38	18.26	9.20	9.13
Price/Sales (P/S)	1.48	0.90	1.80	8.13	2.67	1.37
Earnings Yield	7.15%	11.85%	6.90%	5.48%	10.88%	10.97%
Debt/Equity	0.84	0.51	0.70	0.32	1.86	-81.75
Cash Flow (\$/share)	9.29	0.57	7.01	7.03	1.75	2.39
<b>Growth Score</b>	<b>B</b>	-	-	<b>F</b>	<b>F</b>	<b>B</b>
Hist. EPS Growth (3-5 yrs)	21.60%	11.67%	10.92%	21.70%	17.55%	2.99%
Proj. EPS Growth (F1/F0)	-22.59%	7.04%	1.52%	17.22%	140.28%	11.42%
Curr. Cash Flow Growth	22.38%	4.38%	5.98%	50.80%	-30.73%	-11.92%
Hist. Cash Flow Growth (3-5 yrs)	20.41%	10.01%	8.55%	39.74%	8.56%	-2.25%
Current Ratio	1.79	1.22	1.24	1.22	0.73	0.97
Debt/Capital	45.77%	39.69%	42.33%	24.47%	65.01%	NA
Net Margin	12.61%	14.30%	11.67%	8.77%	-3.83%	20.00%
Return on Equity	26.15%	8.97%	16.70%	7.25%	13.98%	-737.30%
Sales/Assets	0.64	0.21	0.54	0.17	0.17	0.59
Proj. Sales Growth (F1/F0)	-6.08%	0.00%	1.75%	42.34%	33.13%	-2.71%
<b>Momentum Score</b>	<b>B</b>	-	-	<b>B</b>	<b>D</b>	<b>B</b>
Daily Price Chg	-11.36%	-3.78%	-5.14%	-7.71%	1.97%	-2.92%
1 Week Price Chg	16.15%	5.03%	12.29%	21.82%	7.57%	7.46%
4 Week Price Chg	-38.86%	-29.48%	-25.58%	-31.36%	-2.88%	-26.36%
12 Week Price Chg	-51.95%	-34.13%	-29.13%	-29.52%	31.78%	-32.82%
52 Week Price Chg	-46.49%	-38.68%	-23.44%	-3.40%	-15.85%	-7.71%
20 Day Average Volume	1,190,917	85,035	4,261,481	3,799,408	2,092,054	10,752,916
(F1) EPS Est 1 week change	0.00%	0.00%	-0.18%	-1.31%	0.00%	-0.84%
(F1) EPS Est 4 week change	-31.44%	-0.11%	-3.95%	-2.32%	59.08%	-3.08%
(F1) EPS Est 12 week change	-33.39%	-2.46%	-5.28%	-2.83%	56.56%	-2.53%
(Q1) EPS Est Mthly Chg	-36.91%	0.00%	-5.80%	-4.48%	42.09%	-6.63%

## Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	B
Momentum Score	B
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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