

Euronet Worldwide (EFT)

\$164.31 (As of 01/20/20)

Price Target (6-12 Months): **\$173.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 08/13/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:B

Value: D

Growth: A

Momentum: D

Summary

Euronet Worldwide's shares have outperformed its industry in a year's time. The company's strong position is backed by constant expansions across the globe through strategic acquisitions, favorable results of the Electronic Funds Transfer and Money Transfer segments. Its epay segment is also performing well on the back of higher transactions and expansion of digital media products. Its revenues have been consistently growing over the past few years on the back of its diversity across products and geographies along with solid contributions by its segments. Its balance sheet is also impressive. It has been successfully lowering its indebtedness over the past couple of years. However, rising expenses remain a concern. Its exposure to foreign exchange volatility also bothers the company.

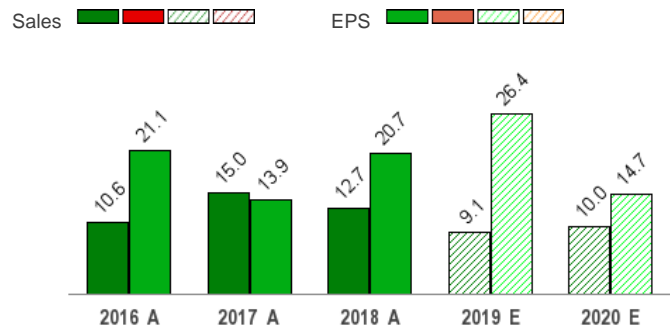
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$171.25 - \$111.60
20 Day Average Volume (sh)	313,947
Market Cap	\$8.9 B
YTD Price Change	4.3%
Beta	1.08
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Financial - Miscellaneous Services
Zacks Industry Rank	Bottom 20% (202 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	1.4%
Last Sales Surprise	-4.0%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	02/06/2020
Earnings ESP	0.0%
P/E TTM	24.3
P/E F1	20.5
PEG F1	1.5
P/S TTM	3.3

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2020	633 E	756 E	872 E	786 E	3,047 E
2019	578 A	692 A	787 A	712 E	2,769 E
2018	551 A	622 A	715 A	649 A	2,537 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2020	\$1.04 E	\$2.00 E	\$3.15 E	\$1.82 E	\$8.02 E
2019	\$0.85 A	\$1.69 A	\$2.84 A	\$1.61 E	\$6.99 E
2018	\$0.73 A	\$1.32 A	\$2.16 A	\$1.37 A	\$5.53 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 01/20/2020. The reports text is as of 01/21/2020.

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.

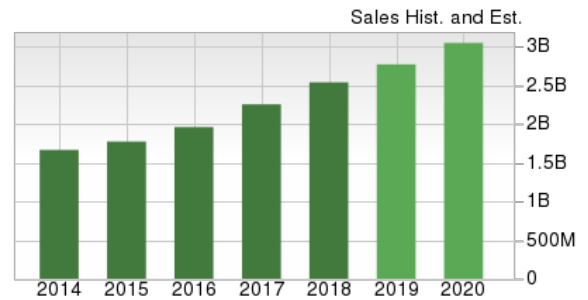
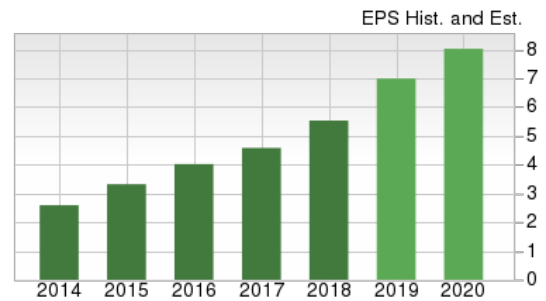
The primary products include comprehensive automated teller machine (ATM), point-of-sale (POS), card outsourcing, card issuing and merchant acquiring services; software solutions; electronic distribution of prepaid mobile airtime and other electronic payment products; foreign exchange services and global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

The company reports through the following segments:

The Money Transfer Segment (reporting 40% of total revenues in 3Q19) 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 (24%) 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 (36%) 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.



Reasons To Buy:

- ▲ **Price Performance:** Shares of Euronet Worldwide have outperformed its industry in a year's time. Its strong fundamentals such as growing topline and strategic initiatives are likely to retain the share price rally going forward.
- ▲ **Consistent Revenue Growth:** The company's top-line improvement has been impressive, witnessing a CAGR of 12.4% during the 2013-2018 period on the back of solid segmental results and the company's diversity across products and geographies. In the first nine months of 2019, the metric increased 9% year over year on revenue contributions from its epay segment, EFT Processing Segment and Money Transfer segment. 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. The company exited the first nine months of 2019 with 47209 ATMs, up 13% year over year. Several initiatives, such as the ATM network participation agreement with ING Bank in Spain, Remitly, Ripple, etc. poise the company well for growth. The company's Ria Money Transfer segment is well-poised for growth owing to several alliances. Euronet even expanded its tie-ups with Walmart, Amazon, Alipay, etc., which bode well. The company also signed agreements with Amazon Pay and Google Pay and continued expanding its Alipay processing to Müller and dm stores in Austria and to multiple retailers in Italy. It also launched new card issuing products in Sri Lanka, Bahamas, Egypt, Bolivia and Oman.
- ▲ **Strong Performance of the EFT Segment:** This segment has witnessed consecutive years of double-digit growth, mainly driven 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 has witnessed a CAGR of 20.6% during the 2013-2018 period. In the first nine months of 2019, the same was up 17.1% year over year owing to higher transactions in Europe and Asia Pacific. As of Sep 30, 2019, this segment processed transactions for 47,209 ATMs and around 305,000 POS terminals across Europe, the Middle East, Asia Pacific and the United States. 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 2013-2018's CAGR of 23%. In the first nine months, the same climbed 6% year over year on higher money transfers, attributable to growth in the foreign agent and correspondent payout networks. Certain acquisitions made by this segment should lead to its long-term growth. The segment's network was available in around 389,000 locations at the end of third-quarter 2019. The segment's Ria Money Transfer is constantly expanding on the back of alliances as well.
- ▲ **Strong Performance of the Epay Segment:** This has also been performing well for the last many quarters. In 2018 and the first half of 2019, revenues increased 1% and 4% year over year, respectively, on the back of higher transactions, expansion of digital media products and SaaS solutions. The segment operates through a network of around 710,000 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 99.5%, lower than its industry's average of 175%. Moreover, its times interest earned, a ratio that measures its ability to pay its interest expenses, has improved from 6.7X in 2015 to 8.8X in 2018. Currently, it stands at 11.6, higher than the industry's average of 5.8. Moreover, its cash and cash equivalents have been increasing from the past several years. This reflects the company's solid balance sheet position.

Constant expansions across the globe, strong results of the Electronic Funds Transfer and Money Transfer segments should poise EEFT for growth

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 25.5, significantly higher than the industry average of 13.4.
- ▼ **Rising Expenses:** The company has been witnessing rising operating expenses over the years inducing margin contraction. This has also caused erosion of earnings per share. During 2018, expenses again escalated 9.7% year over year to \$2.2 billion. In the first nine months of 2019, the same increased 5.5% year over year. 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. This is a constant headwind for the company.

Rising expenses weighs on the company's margins. It might continue to grow as the company consistently invests in technology and other expansion initiatives.

Last Earnings Report

Euronet's Q3 Earnings Beat, Revenues Miss Estimates

Euronet Worldwide delivered third-quarter 2019 earnings of \$2.84 per share, beating the Zacks Consensus Estimate by 1.4%.

Moreover, the bottom line improved 31.5% year over year. This upside can mainly be attributed to higher revenue contribution by all segments.

The company's reported net income also surged 30.2% to \$2.46 earnings per share in the quarter under review.

Further, its total revenues were \$787 million, up 10.1% from the year-ago quarter. Meanwhile, the top line missed the Zacks Consensus Estimate by 4%.

Euronet's total transactions were 1.23 million, having increased 21% year over year.

Additionally, operating income rose nearly 29% to \$194 million in the quarter under review.

EFT Processing Segment's total revenues grew 21% (26% in constant currency) year over year to \$261.7 million on the back of higher transactions and a rise in operated ATMs. Adjusted EBITDA amounted to \$168.9 million, up 33% (38% at cc) from the year-ago period. Operating income for the segment was \$150.9 million, up 37% year over year (up 42% on constant currency basis).

The **epay Segment's** total revenues increased 3% year over year (7% up on constant currency basis). Adjusted EBITDA amounted to \$21.7 million, up 19% improvement from the year-earlier figure (23% up on constant currency basis). Operating income stands at \$20.1 million, up 23% year over year (27% on constant currency basis). This segment reported transactions of 389 million, up 40% year over year.

The **Money Transfer Segment's** total revenues climbed 5% (7% at cc) year over year to \$280.8 million, backed by 5% higher transactions. Adjusted EBITDA amounted to \$43.7 million, reflecting a 4% improvement (6% increase at cc) from the prior-year quarter. Operating income for this segment totaled \$35.6 million, up 6% in constant currency. This segment reported total transactions of 29.3 million, up 5% year over year.

Corporate and other Segment incurred an expense of \$12.6 million in the reported quarter, up 24% year over year.

Q4 Guidance

Euronet expects adjusted earnings per share for the fourth quarter to be nearly \$1.61 (assuming forex to be stable).

Financial Update

Total assets at third-quarter end were \$4.3 billion, up 30% from the level at 2018 end.

Cash and cash equivalents improved nearly 64.2% to \$1.7 billion from the figure at 2018 end.

The company's total indebtedness declined 21.4% to \$1.1 billion year over year. This decrease was owing to the impact of favorable foreign currency translation on its Euro-dominated debt.

Quarter Ending **09/2019**

Report Date	Oct 22, 2019
Sales Surprise	-4.04%
EPS Surprise	1.43%
Quarterly EPS	2.84
Annual EPS (TTM)	6.75

Recent News

Ria Money Transfer Ties Up to Ease International Fund Transfers — Jan 20, 2020

Euronet's Ria Money Transfer forges an alliance with Igian Postal Service group (bpost) to provide transparent remittance services at affordable prices, to be available at more than 600 post offices.

Euronet Enters Into Agreement With AMBER Alert for Child Security — Jan 12, 2020

Euronet reaches an agreement with AMBER Alert Europe to display active missing children alerts on its ATM screens.

Euronet's Unit Launches Monthly Billing Service for AppleCare - Jan 7, 2020

Euronet Worldwide's division epay introduced a monthly recurring billing solution for buying AppleCare products from a primary US retailer.

With this new epay service, customers are now able to purchase AppleCare+ coverage for Apple iPhone, iPad and Watch devices at pocket-friendly monthly rates.

Euronet to Offer Standard Chartered Cloud-Based DCC Solutions – Jan 6, 2020

Euronet Worldwide will be providing Standard Chartered with dynamic currency conversion (DCC) services at around 1000 ATMs in 14 countries across Asia Pacific and the Middle East. This new provision will be implemented with the help of Euronet's Digital Integrated Payments Cloud (DIPC).

Euronet, Visa Ties Up to Aid APAC Fintech Companies — Dec 19, 2019

Euronet recently entered a partnership with Visa to drive growth of fintech companies in the Asia Pacific area.

Valuation

Euronet shares are up 46% over the trailing 12-month period. Over the past year, the Zacks sub-industry and sector are up 17.2% and 13%, respectively.

The S&P 500 index is up 25.6% in the past year.

The stock is currently trading at 20.29X trailing 12-month price to earnings ratio, which compares to 11.43X for the Zacks sub-industry, 14.73X for the Zacks sector and 19.2X for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.42X and as low as 13.72X, with a 5-year median of 19.47X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$173 price target reflects 21.38X 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	20.29	11.43	14.73	19.2
	5-Year High	24.42	14.19	16.21	19.33
	5-Year Low	13.72	8.71	12	15.16
	5-Year Median	19.47	11.69	13.98	17.43
P/S F12M	Current	2.9	1.15	6.53	3.57
	5-Year High	3.1	1.92	6.61	3.57
	5-Year Low	1.29	1.05	5.2	2.55
	5-Year Median	1.97	1.44	6.03	3
P/B TTM	Current	6.14	2.05	2.86	4.55
	5-Year High	6.79	2.66	2.89	4.55
	5-Year Low	3.25	1.58	1.83	2.85
	5-Year Median	4.69	2.06	2.5	3.61

As of 01/20/2020

Industry Analysis Zacks Industry Rank: Bottom 20% (202 out of 254)



Top Peers

Global Payments Inc. (GPN)	Neutral
Houlihan Lokey, Inc. (HLI)	Neutral
MoneyGram International Inc. (MGI)	Neutral
PRA Group, Inc. (PRAA)	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 Neutral	X Industry	S&P 500	GPN Neutral	VIRT Neutral	WU Outperform
VGM Score	B	-	-	B	D	B
Market Cap	8.88 B	315.27 M	24.65 B	59.69 B	2.95 B	11.64 B
# of Analysts	3	3	13	14	4	7
Dividend Yield	0.00%	0.00%	1.73%	0.39%	6.21%	2.88%
Value Score	D	-	-	D	B	B
Cash/Price	0.21	0.24	0.04	0.04	0.69	0.13
EV/EBITDA	18.52	6.11	14.11	49.96	3.45	9.60
PEG Ratio	1.55	1.93	2.08	1.45	2.20	1.14
Price/Book (P/B)	6.19	1.42	3.39	2.14	2.27	NA
Price/Cash Flow (P/CF)	20.65	9.71	13.81	22.43	6.06	10.79
P/E (F1)	20.66	11.97	19.19	26.26	10.98	14.04
Price/Sales (P/S)	3.28	1.63	2.69	15.69	1.88	2.16
Earnings Yield	4.88%	8.11%	5.21%	3.81%	9.13%	7.13%
Debt/Equity	0.90	0.42	0.72	0.32	1.78	-164.87
Cash Flow (\$/share)	7.96	0.55	6.94	8.85	2.55	2.57
Growth Score	A	-	-	B	F	C
Hist. EPS Growth (3-5 yrs)	21.69%	9.30%	10.56%	21.58%	21.65%	3.73%
Proj. EPS Growth (F1/F0)	14.78%	9.51%	7.57%	22.56%	54.25%	11.45%
Curr. Cash Flow Growth	17.70%	4.38%	14.73%	25.04%	182.37%	-27.60%
Hist. Cash Flow Growth (3-5 yrs)	19.96%	9.91%	9.00%	24.12%	18.03%	1.43%
Current Ratio	1.88	1.26	1.24	1.17	0.72	0.96
Debt/Capital	47.31%	39.26%	42.99%	24.33%	64.04%	99.03%
Net Margin	11.10%	13.70%	11.14%	10.59%	2.55%	21.07%
Return on Equity	26.78%	9.25%	17.16%	9.05%	18.75%	-475.84%
Sales/Assets	0.69	0.22	0.55	0.17	0.18	0.59
Proj. Sales Growth (F1/F0)	10.03%	5.03%	4.16%	63.92%	15.11%	-0.82%
Momentum Score	D	-	-	B	F	C
Daily Price Chg	0.93%	0.00%	0.27%	1.36%	-0.83%	0.65%
1 Week Price Chg	2.33%	0.00%	0.39%	3.28%	-8.64%	0.61%
4 Week Price Chg	3.88%	0.74%	2.95%	8.30%	-6.19%	2.21%
12 Week Price Chg	14.81%	6.17%	7.76%	23.18%	-7.76%	12.11%
52 Week Price Chg	48.31%	0.98%	22.29%	75.10%	-41.23%	54.88%
20 Day Average Volume	313,947	77,616	1,536,375	1,228,649	944,108	5,004,851
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-4.47%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.08%	-4.47%	0.00%
(F1) EPS Est 12 week change	-0.76%	-2.84%	-0.40%	6.61%	-16.88%	1.63%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	1.37%	-5.31%	0.00%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	D
Growth Score	A
Momentum Score	D
VGM Score	B

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.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.