

Euronet Worldwide (EFT)

\$95.43 (As of 04/29/20)

Price Target (6-12 Months): **\$81.00**

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: C

Momentum: A

Summary

Euronet's first-quarter 2020 earnings of 55 cents per share missed the Zacks Consensus Estimate by 26.7% and also fell 35.3% year over year due to transaction declines from the COVID-19 pandemic along with lower operating income. The company's escalating expenses weigh on margin expansion. Its money transfer services might decline due to the current market volatility. 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 are consistently growing on solid segmental contributions. The company's capital strength impresses.

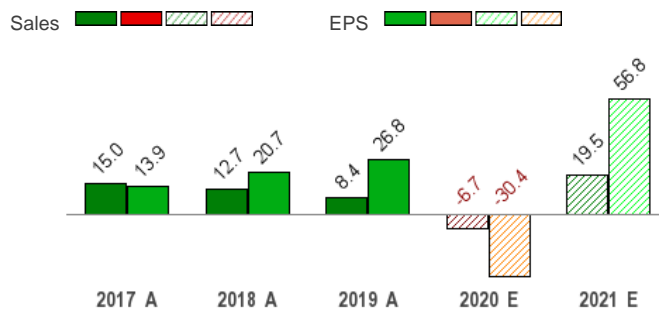
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$171.25 - \$61.27
20 Day Average Volume (sh)	712,308
Market Cap	\$5.0 B
YTD Price Change	-39.4%
Beta	1.33
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Financial - Miscellaneous Services
Zacks Industry Rank	Bottom 42% (148 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	-26.7%
Last Sales Surprise	-1.7%
EPS F1 Est- 4 week change	-10.6%
Expected Report Date	07/28/2020
Earnings ESP	-45.9%

P/E TTM	14.2
P/E F1	19.6
PEG F1	1.5
P/S TTM	1.8

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	656 E	783 E	874 E	784 E	3,067 E
2020	584 A	602 E	700 E	670 E	2,566 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	\$0.55 A	\$1.09 E	\$1.75 E	\$1.29 E	\$4.88 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 04/29/2020. The reports text is as of 04/30/2020.

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.

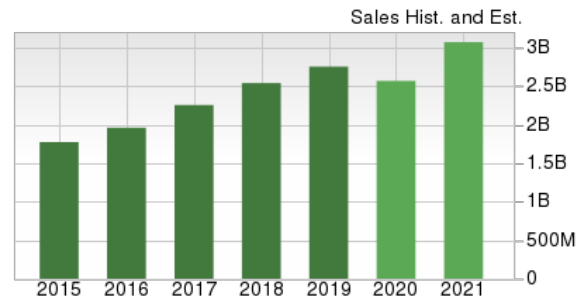
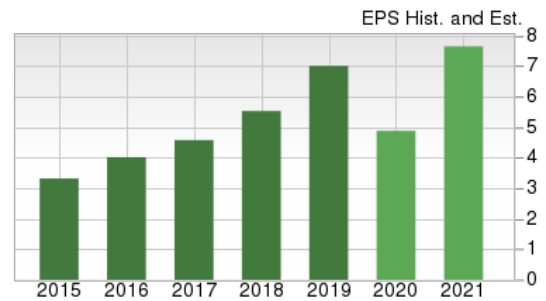
The primary products include comprehensive automated teller machine (ATM), point-of-sale (POS), card outsourcing, card issuing and merchant acquiring services; software solutions; electronic distribution of prepaid mobile airtime and other electronic payment products; foreign exchange services and global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



Reasons To Sell:

- ▼ **Remittance Under Pressure:** The World Bank predicts money remittance to drop 20% in 2020, which will affect the company directly. Management expects its money transfer to decline this year due to the current market volatility.
- ▼ **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 14.3, significantly higher than the industry average of 9.5.
- ▼ **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. In the first half of 2020, the same increased 5.9% year over year. Its expenses should remain elevated going ahead as the company consistently invests in technology and other expansion initiatives.
- ▼ **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.

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

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. In the first quarter of 2020, the revenues inched up only 1% due to fall in transactions following the COVID-19 pandemic. We are hopeful that the company's top line will bounce back owing to a slew of products and service launches as well as new and exciting geographic options.
 - **Expansion and Inorganic Growth:** The company's strong inorganic growth strategy worked in its favor. 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. However, in the first quarter of 2020, the segment's performance was dented by the coronavirus impact and its performance for the year depends on how quickly travel gains momentum. Nevertheless, in the first quarter, the segment contributed to 25% of the company's overall revenues. For the second quarter, the company expects 40% of the prior year-quarter's revenue generation from this segment.
 - **Strong Performance of the Money Transfer Segment:** This segment is consistently delivering favorable growth of the physical and digital distribution channels, acquisitions, etc., evident from its 2015-2019's CAGR of 13%. In the first quarter, the same increased 4% year over year, with the segment contributing to around 46% of the company's overall revenues. The upside can be attributable to higher money transfers, growth in the foreign agent and correspondent payout networks. As of Mar 31, 2020, the Money Transfer network reached around 402,000 locations, up 7% year over year. The segment's transaction in the first quarter grew on the back of international remittances and digital transactions. Management expects to launch Ria Money Transfer mobile app in 19 new markets in the second quarter. Revenues from the segment for the second quarter are expected to be around 80% of the year-ago quarter's reported figure.
 - **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. Although revenues dipped 2% in the first quarter, transactions grew 32% year over year from solid growth in India and Europe. As of Mar 31, 2020, the segment operates through a network of around 732,000 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.
 - **Capital Position –** The company's balance sheet position remains impressive. The total debt is 89% of its total equity (almost in line sequentially), which is significantly lower than the industry average of 186.9%. Moreover, its times interest earned now is 12.97x (in line sequentially), which is substantially better than the industry average of 5.82X. Its cash and cash equivalents have been increasing from the past several years, skyrocketing nearly 104.2% year over year in 2019. As of Mar 31, 2020, it has cash and cash equivalents of \$709.5 million, ATM cash was \$558.6 million, and credit facility of \$950 million. Taken together its cash and credit facility is higher than its long-term debt of \$1.1 billion. The company doesn't have any significant debt service obligations for the five years. Thus, the company's solvency position looks impressive.
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Last Earnings Report

Euronet's Q1 Earnings Miss Estimates, Tumble Y/Y

Euronet reported first-quarter 2020 earnings of 55 cents per share, missing the Zacks Consensus Estimate by 26.7%. Also, the bottom line fell 35.3% year over year due to the coronavirus outbreak affecting its business.

The company witnessed transaction declines in the first quarter due to the COVID-19 pandemic along with lower operating income.

The company's net income plunged 93.5% to 4 cents per share in the quarter under review.

Total revenues were \$583.9 million, up 1% from the year-ago quarter. However, the top line missed the Zacks Consensus Estimate by 1.7%. Operating income fell nearly 44% to \$31.6 million in the first quarter.

Total operating expenses of \$552.3 million were up 5.9% year over year.

Quarter Ending **03/2020**

Report Date	Apr 28, 2020
Sales Surprise	-1.74%
EPS Surprise	-26.67%
Quarterly EPS	0.55
Annual EPS (TTM)	6.71

Segmental Results

EFT Processing Segment's total revenues inched up 0.1% (3% in constant currency) year over year on the back of higher transactions. Adjusted EBITDA of \$25.2 million dropped 25% (down 23% at cc) from the year-ago period. Operating income of \$4.9 million slumped 71% year over year (down 71% on constant currency basis) due to fewer European ATM transactions.

The epay Segment's total revenues slipped 2% year over year to \$172.9 million (1% up on constant currency basis). Adjusted EBITDA amounted to \$18.3 million, decreasing 8% from the year-earlier figure (down 5% on constant currency basis). Operating income of \$16.5 million deteriorated 8% year over year (down 6% on constant currency basis) due to SG&A investments made throughout 2019. Reported transactions were 447 million, up 32% year over year. This segmental growth was driven by improved numbers across Europe and very solid contributions from India.

The Money Transfer Segment's total revenues climbed 4% (5% at cc) year over year to \$266.3 million, backed by 3% higher transactions. Adjusted EBITDA amounted to \$30.9 million, reflecting a 20% decline (18% decrease at cc) from the prior-year quarter. Operating income totaled \$22.3 million, down 25% in constant currency. This segment reported total transactions of 27.4 million, up 3% year over year.

Corporate and Other Segment reported an expense of \$12.1 million for the quarter, up 28.7% year over year.

Financial Update

Total assets at first-quarter end were \$4.2 billion, down 10.2% from the level at 2019 end.

Cash and cash equivalents plunged 9.62% to \$709.5 million from the figure at 2019 end.

Debt obligations, net of current portion, dipped 0.7% year over year to \$1.08 billion from the level at 2019 end.

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 39.4% and 36% 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 21% and 22.3% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 22.6% and 18%, respectively.

The S&P 500 index is down 11.4% in the year-to-date period and 2.6% in the past year.

The stock is currently trading at 16.47x forward 12-month earnings value, which compares to 12.53x for the Zacks sub-industry, 14.93x for the Zacks sector and 20.16x for the S&P 500 index.

Over the past five years, the stock has traded as high as 24.42x and as low as 8.87x, with a 5-year median of 19x. Our Underperform recommendation indicates that the stock will perform worse than the market. Our \$81 price target reflects 13.98x forward 12-month earnings value.

The table below shows summary valuation data for EEFT

Valuation Multiples - EEFT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	16.47	12.53	14.93	20.16
	5-Year High	24.42	14.15	16.17	20.16
	5-Year Low	8.87	8.7	11.2	15.18
	5-Year Median	19	11.5	13.93	17.44
P/S F12M	Current	1.82	1.14	4.96	3.3
	5-Year High	3.1	1.92	6.69	3.43
	5-Year Low	1.21	1.05	4.96	2.55
	5-Year Median	1.99	1.39	6.05	3
P/B TTM	Current	3.23	1.43	2.2	3.78
	5-Year High	6.79	2.77	2.9	4.55
	5-Year Low	2.35	1.04	1.71	2.85
	5-Year Median	4.7	2	2.52	3.63

As of 04/29/2020

Industry Analysis Zacks Industry Rank: Bottom 42% (148 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Virtu Financial, Inc. (VIRT)	Outperform	1
Global Payments Inc. (GPN)	Neutral	4
Houlihan Lokey, Inc. (HLI)	Neutral	3
MoneyGram International Inc. (MGI)	Neutral	3
PRA Group, Inc. (PRAA)	Neutral	3
Square, Inc. (SQ)	Neutral	3
Visa Inc. (V)	Neutral	4
WEX Inc. (WEX)	Neutral	4

Industry Comparison Industry: Financial - Miscellaneous Services				Industry Peers	
	EEFT	X Industry	S&P 500	CIT	SLFPY
Zacks Recommendation (Long Term)	Underperform	-	-	Underperform	Neutral
Zacks Rank (Short Term)	5	-	-	3	3
VGM Score	D	-	-	D	F
Market Cap	4.98 B	201.08 M	20.82 B	2.04 B	6.71 B
# of Analysts	3	3	14	1	2
Dividend Yield	0.00%	0.00%	2.07%	6.74%	10.51%
Value Score	F	-	-	B	F
Cash/Price	0.34	0.44	0.06	2.17	NA
EV/EBITDA	8.06	4.34	12.12	5.50	NA
PEG Ratio	1.47	2.42	2.51	NA	NA
Price/Book (P/B)	3.26	0.81	2.74	0.38	0.71
Price/Cash Flow (P/CF)	10.27	7.09	11.23	2.28	NA
P/E (F1)	19.56	13.30	19.26	NA	16.60
Price/Sales (P/S)	1.81	1.13	2.16	0.66	NA
Earnings Yield	5.11%	7.34%	5.03%	-27.40%	6.02%
Debt/Equity	0.84	0.51	0.72	1.52	NA
Cash Flow (\$/share)	9.29	0.57	7.01	9.11	-1.70
Growth Score	C	-	-	D	F
Hist. EPS Growth (3-5 yrs)	21.60%	9.99%	10.88%	6.84%	NA
Proj. EPS Growth (F1/F0)	-30.34%	-16.25%	-6.94%	-212.45%	-25.93%
Curr. Cash Flow Growth	22.38%	5.34%	5.92%	4.00%	-221.93%
Hist. Cash Flow Growth (3-5 yrs)	20.41%	13.16%	8.55%	-11.97%	NA
Current Ratio	1.79	1.22	1.23	0.98	NA
Debt/Capital	45.77%	34.62%	43.90%	58.00%	NA
Net Margin	11.40%	12.74%	11.15%	-6.87%	NA
Return on Equity	24.10%	8.53%	16.47%	2.77%	NA
Sales/Assets	0.62	0.21	0.54	0.06	NA
Proj. Sales Growth (F1/F0)	-6.69%	0.00%	-1.52%	0.40%	-21.56%
Momentum Score	A	-	-	F	D
Daily Price Chg	6.25%	1.21%	2.91%	6.13%	9.01%
1 Week Price Chg	-4.31%	0.00%	-1.74%	-12.71%	0.10%
4 Week Price Chg	25.60%	13.66%	21.33%	38.74%	16.32%
12 Week Price Chg	-40.32%	-24.75%	-16.28%	-57.25%	-27.51%
52 Week Price Chg	-36.27%	-32.27%	-7.57%	-60.53%	-21.86%
20 Day Average Volume	712,308	72,601	2,658,107	2,595,916	8,704
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	-10.56%	-7.29%	-6.32%	-142.70%	-1.41%
(F1) EPS Est 12 week change	-40.42%	-19.58%	-12.93%	-140.22%	-27.46%
(Q1) EPS Est Mthly Chg	-11.82%	-4.85%	-11.84%	-135.53%	NA

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	F
Growth Score	C
Momentum Score	A
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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