

Euronet Worldwide (EFT)

\$100.45 (As of 07/29/20)

Price Target (6-12 Months): **\$116.00**

Long Term: 6-12 Months

Zacks Recommendation:

Outperform

(Since: 07/29/20)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

1-Strong Buy

Zacks Style Scores:

VGM:D

Value: F

Growth: C

Momentum: D

Summary

Euronet's earnings of 4 cents per share was down 98% year over year due to weak segmental performances and business affected by the COVID-19 pandemic but came in better than the Zacks Consensus Estimate of a loss of 33 cents. Its strong position is backed by constant expansions through strategic acquisitions, favorable results of the Electronic Funds Transfer and Money Transfer segments. Several initiatives, such as the ATM network participation agreements and launch of card issuing products poise it well for growth. Its revenues are growing on solid segmental contributions, slew of products, service launches as well as new geographic options. Its shares have underperformed its industry in a year's time. Its balance sheet position remains impressive. However, its elevated expenses are likely to weigh on margin expansion.

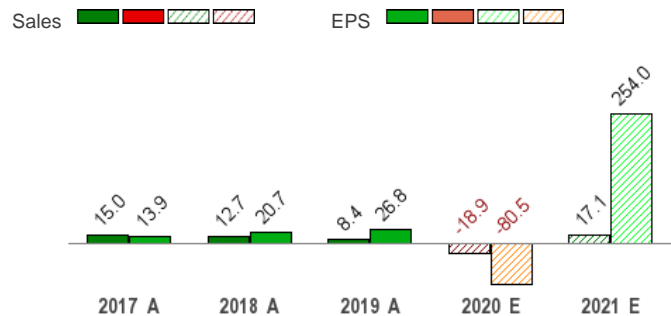
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$167.64 - \$61.27
20 Day Average Volume (sh)	437,270
Market Cap	\$5.2 B
YTD Price Change	-36.3%
Beta	1.22
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Financial - Miscellaneous Services
Zacks Industry Rank	Bottom 31% (174 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	112.1%
Last Sales Surprise	10.9%
EPS F1 Est- 4 week change	0.0%
Expected Report Date	10/27/2020
Earnings ESP	0.0%
P/E TTM	19.9
P/E F1	73.3
PEG F1	5.5
P/S TTM	2.0

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	646 E	704 E	806 E	736 E	2,611 E
2020	584 A	528 A	566 E	604 E	2,230 E
2019	578 A	692 A	787 A	694 A	2,750 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	\$0.67 E	\$1.14 E	\$1.89 E	\$1.34 E	\$4.85 E
2020	\$0.55 A	\$0.04 A	\$0.39 E	\$0.76 E	\$1.37 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 07/29/2020. The reports text is as of 07/30/2020.

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.

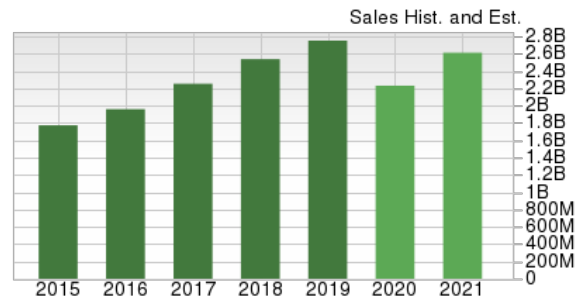
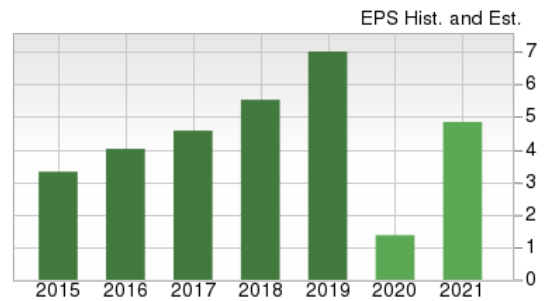
The primary products include comprehensive automated teller machine (ATM), point-of-sale (POS), card outsourcing, card issuing and merchant acquiring services; software solutions; electronic distribution of prepaid mobile airtime and other electronic payment products; foreign exchange services and global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

- ▲ **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 six months of 2020, the revenues declined 12.4% due to lower 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. The company recently launched money transfer services with the Austria Post along with cash pick-up service at more than 3,000 locations with PostFinance in Ukraine, reassigned agreements with the Indonesian Post for their 4,000 locations, etc. In the second quarter, Euronet signed an agreement with Millennium Bank in Poland, Standard Chartered Bank in Pakistan and Ohridska Bank in North Macedonia to name a few. All these initiatives 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 six months of 2020, the segment's performance was dented by the coronavirus impact. Nevertheless, EFT transactions gained momentum at the end of the second quarter. To offset transaction declines, the segment managed to achieve \$25 million of cost savings. Per management, the run rate of these expenses should continue to benefit the third and the fourth quarter. The company expects a significant recovery in 2021 for the EFT segment as travel resumes.
- ▲ **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 six months, the same dipped 0.8% year over year due to the COVID-19 pandemic. As of Jun 30, 2020, the Money Transfer network reached around 435,000, up 13% year over year. In the second quarter, the company launched Money Transfer services at more than 19,000 OXXO locations, a leading convenience store chain in Mexico and launched a service to enable deposits in the bank accounts through Alipay wallets. It expanded its mobile app and online capabilities to reach 21 countries.
Ria Money's self-service transactions account for 24% of Ria Money's international outbound transactions and 31% of its total volume. Ria Money is consistently partnering with post offices around the world.
- ▲ **Cost Savings:** The company took several initiatives to cut down on expenses. It achieved around \$35 million worth cost savings in the second quarter along with additional quarterly savings of approximately \$15 million. This, in turn, is expected to boost margins going forward.
- ▲ **Strong Performance of the epay Segment:** The segment 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. Revenues from the segment were flat in the first six months of 2020. As of Jun 30, 2020, the segment operated through a network of around 703,000 POS terminals providing electronic processing of digital media and prepaid mobile airtime top-up services in Europe, the Middle East, the Asia Pacific, the United States and South America. In epay, some of the most significant product distribution expansions were enabled by mobile wallets. Towards the end of the second quarter, epay transactions continued to trend higher owing to the expansion of digital distribution of digital media products and continued strong retail sales. We expect this segment to continue performing well on the back of robust online and in-app sales of digital media products and the surging retail sales of digital media products. This upside was led by the urgent need for essentials through pharmacy, grocery and convenience channels amid the COVID-19 pandemic.
- ▲ **Capital Position:** The company's balance sheet position remains impressive. The total debt is 113.2% of its total equity (almost in line sequentially), which is significantly lower than the industry average of 180.9%. Moreover, its times interest earned now is 11.4x (in line sequentially), which is substantially better than the industry average of 5.2x. Its cash and cash equivalents have been increasing from the past several years, skyrocketing nearly 104.2% year over year in 2019. As of Jun, 2020, it had more than \$1.2 billion in cash and a 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 next five years. Thus, its solvency position looks encouraging.
- ▲ **Price Performance:** Shares of the company have underperformed its industry in a year's time. However, its solid fundamentals would likely help it bounce back going forward.
- ▲ **Rise in Digital Transactions:** In the second quarter, digital transactions of the company soared 98% leading to a 120% increase year over year in June. With the help of expansion in the new markets, the digital business skyrocketed 145% in July. The company took a few initiatives, such as expanding its digital media content in Australia that includes Uber, Netflix and Spotify. It also escalated its digital marketing spend by almost 100% in the second quarter.

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

Risks

- **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 15.8, significantly higher than the industry average of 11.5.
 - **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 six months of 2020, the same increased around 8% year over year. Its expenses should remain elevated going ahead as the company consistently invests in technology and other expansion initiatives.
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Last Earnings Report

Euronet Q2 Earnings Surpass Estimates, Tumble Y/Y

Euronet reported second-quarter 2020 earnings of 4 cents per share. The Zacks Consensus Estimate was of a loss of 33 cents. However, the bottom line fell 98% year over year due to weak segmental performances and business affected by the COVID-19 pandemic.

The company's net loss of \$2.18 per share in the second quarter came against net income of \$1.25 of the prior-year quarter.

Total revenues were \$527.8 million, down 24% from the year-ago quarter.

However, the top line beat the Zacks Consensus Estimate by 10.9%.

Operating loss of \$101.3 million in the second quarter came against the operating income of \$117.9 million in the prior-year period.

Total operating expenses of \$629.1 million were up 9.6% year over year due to higher impairment of goodwill plus depreciation and amortization.
Segmental Results

EFT Processing Segment's total revenues plunged 66% (down 65% in constant currency) year over year due to lower transactions in Europe and the Asia Pacific. Adjusted EBITDA of (\$14.8 million) dropped 116% (down 116% at cc) from the year-ago period. Operating loss of \$56.6 million came against operating income of \$76.5 million of the prior-year quarter.

The **epay Segment's** total revenues inched up 2% year over year to \$187.6 million (up 5% on constant currency basis). Adjusted EBITDA amounted to \$19.7 million, increasing 2% from the year-earlier figure (up 6% on constant currency basis). Operating income of \$18 million improved 2% year over year (up 7% on constant currency basis) on the back of digital media growth. Reported transactions were 585 million, up 59% year over year owing to better numbers across Europe and Brazil and robust contributions from India.

The **Money Transfer Segment's** total revenues decreased 5% (down 4% at cc) year over year to \$262.8 million. Adjusted EBITDA amounted to \$36 million, reflecting a 17% decline (16% decrease at cc) from the prior-year quarter. Operating loss of \$55.2 million came against the operating income of \$35.3 million in the year-ago quarter. This segment's total transactions of 25.8 million were down 11% year over year.

Corporate and Other Segment reported an expense of \$7.5 million for the quarter, down 34.8% year over year.

Financial Update

Total assets at second-quarter end were \$3.9 billion, down 14.9% from the level at 2019 end.

Cash and cash equivalents increased 10% to \$864.9 million from the figure at 2019 end.

Debt obligations, net of current portion, were up 0.9% year over year to \$1.1 billion from the level at 2019 end.

Quarter Ending 06/2020

Report Date	Jul 29, 2020
Sales Surprise	10.85%
EPS Surprise	112.12%
Quarterly EPS	0.04
Annual EPS (TTM)	5.06

Recent News

Euronet's Unit Launches Money Transfer App in Europe — May 12, 2020

Euronet's subsidiary Ria Money Transfer recently launched Ria Money Transfer App for the European market. The company plans to introduce the same in 13 other countries by next month. This unique application was first released in May in France and Germany. People from other places such as Italy, Belgium, the Netherlands, Luxembourg, Austria, Ireland, Denmark, Finland, Norway, Sweden and Switzerland will also be able to start using it from the current month.

The application is also available in the United States and Canada. The company, which is a global leader in the remittance industry, has been constantly taking up initiatives to expand its footprint. Its portfolio consists of the largest bank deposit network in the world with access to more than three billion bank accounts.

Valuation

Euronet's shares are down 36.4% and 35.5% 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 13% and 17.2% in the year-to-date period, respectively. Over the past year, the Zacks sub-industry and sector are down 13.7% and 11%, respectively.

The S&P 500 index is up 1.1% in the year-to-date period and up 11% in the past year.

The stock is currently trading at 29.62x forward 12-month earnings, which compares to 13.58x for the Zacks sub-industry, 16.16x for the Zacks sector and 22.69x for the S&P 500 index.

Over the past five years, the stock has traded as high as 48.52x and as low as 8.87x, with a 5-year median of 19.21x. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$116 price target reflects 34.22x forward earnings.

The table below shows summary valuation data for EEFT

Valuation Multiples - EEFT					
		Stock	Sub-Industry	Sector	S&P 500
P/E F12M	Current	29.62	13.58	16.16	22.69
	5-Year High	48.52	14.15	16.19	22.69
	5-Year Low	8.87	8.7	11.6	15.25
	5-Year Median	19.21	11.6	14.16	17.52
P/S F12M	Current	2.14	1.3	6.04	3.55
	5-Year High	3.1	1.77	6.66	3.55
	5-Year Low	1.21	1.02	4.96	2.53
	5-Year Median	2	1.34	6.07	3.02
P/B TTM	Current	4.07	1.84	2.38	4.4
	5-Year High	6.79	2.77	2.91	4.56
	5-Year Low	2.35	1.12	1.71	2.83
	5-Year Median	4.7	1.98	2.52	3.7

As of 07/29/2020

Industry Analysis Zacks Industry Rank: Bottom 31% (174 out of 253)



Top Peers

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

Industry Comparison Industry: Financial - Miscellaneous Services				Industry Peers		
	EEFT	X Industry	S&P 500	CIT	SLFPY	VIRT
Zacks Recommendation (Long Term)	Outperform	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	1	-	-	3	4	3
VGM Score	D	-	-	F	D	D
Market Cap	5.24 B	170.98 M	22.69 B	1.90 B	7.63 B	4.82 B
# of Analysts	3	3	14		1	4
Dividend Yield	0.00%	0.00%	1.8%	7.24%	9.62%	3.84%
Value Score	F	-	-	D	C	D
Cash/Price	0.25	0.32	0.07	4.36	0.27	0.45
EV/EBITDA	8.81	3.88	13.11	1.46	17.97	21.12
PEG Ratio	5.50	3.12	3.05	NA	NA	NA
Price/Book (P/B)	4.07	0.96	3.15	0.36	0.96	3.15
Price/Cash Flow (P/CF)	10.81	8.23	12.28	2.12	13.77	14.28
P/E (F1)	73.32	16.78	22.27	NA	21.46	4.73
Price/Sales (P/S)	2.02	1.70	2.46	0.63	NA	2.22
Earnings Yield	1.36%	5.46%	4.25%	-10.24%	4.66%	21.12%
Debt/Equity	1.03	0.40	0.75	1.46	0.10	1.48
Cash Flow (\$/share)	9.29	0.62	6.94	9.11	0.98	1.75
Growth Score	C	-	-	F	D	F
Hist. EPS Growth (3-5 yrs)	20.74%	10.78%	10.85%	7.94%	NA	22.84%
Proj. EPS Growth (F1/F0)	-80.46%	-27.27%	-7.70%	-139.07%	-36.36%	450.00%
Curr. Cash Flow Growth	22.38%	5.71%	5.31%	4.00%	-153.48%	-30.73%
Hist. Cash Flow Growth (3-5 yrs)	20.41%	13.95%	8.55%	-11.97%	NA	8.56%
Current Ratio	1.69	1.39	1.31	0.97	1.50	0.76
Debt/Capital	50.73%	30.05%	44.23%	56.97%	8.95%	59.72%
Net Margin	5.02%	7.65%	10.45%	-14.45%	NA	7.79%
Return on Equity	18.44%	7.13%	14.99%	-0.77%	NA	38.58%
Sales/Assets	0.59	0.22	0.53	0.05	NA	0.22
Proj. Sales Growth (F1/F0)	-18.91%	0.00%	-1.97%	-3.98%	-67.19%	126.05%
Momentum Score	D	-	-	F	D	A
Daily Price Chg	3.99%	0.12%	1.52%	4.82%	0.00%	-0.48%
1 Week Price Chg	-1.63%	0.00%	0.37%	-1.85%	0.00%	-0.75%
4 Week Price Chg	2.84%	1.86%	5.44%	-0.67%	3.21%	5.49%
12 Week Price Chg	13.88%	11.11%	15.38%	29.19%	33.86%	-0.28%
52 Week Price Chg	-35.57%	-13.78%	-1.61%	-61.74%	-6.82%	15.31%
20 Day Average Volume	437,270	122,150	1,846,377	2,101,550	10,398	1,138,970
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	-13.17%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.27%	-49.75%	-8.03%	0.48%
(F1) EPS Est 12 week change	-64.48%	-0.40%	-0.85%	12.54%	-10.00%	82.61%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.13%	-45.15%	NA	-1.96%

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	D
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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