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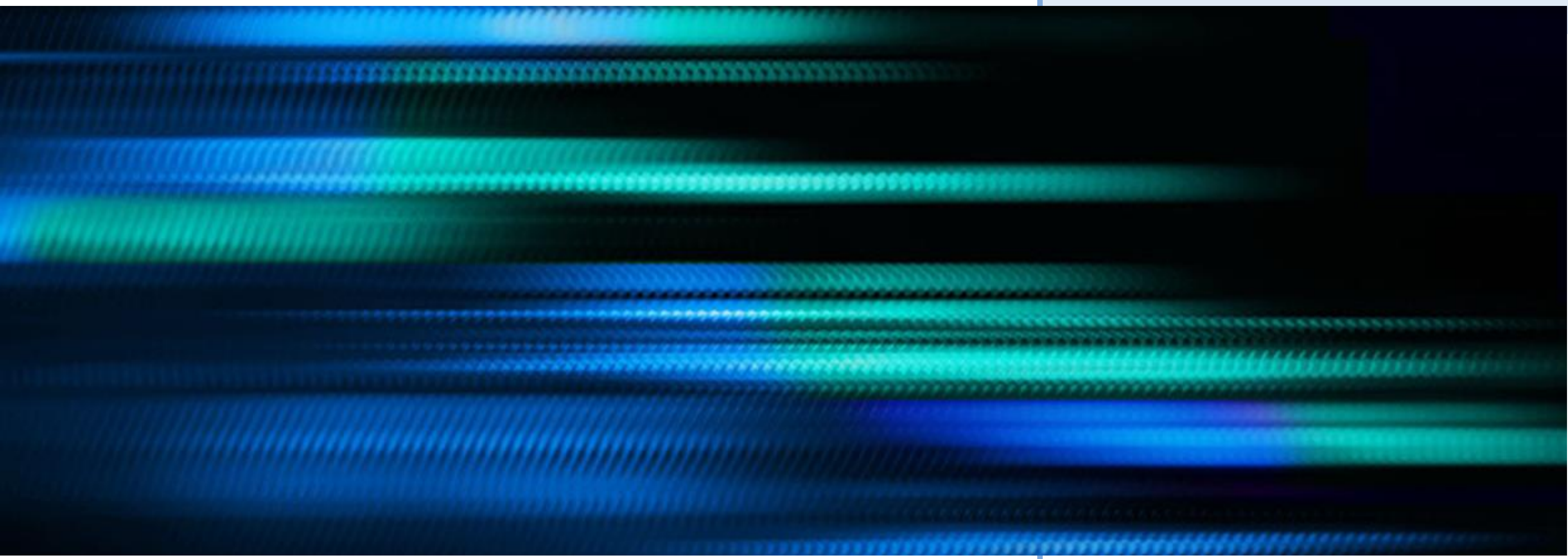
# The Payments Group Holding

**Germany | Financial Services | MCap EUR 41.0m (post transaction view)**

13 September 2024

RE-INITIATION



## Nothing is more permanent than change; Re-initiate with BUY

**BUY** (BUY)

| | |
|---|---|
| **Target price** | **EUR 3.00** (2.40) |
| Current price | EUR 1.06 |
| Up/downside | 183.0% |

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### What's it all about?

The Payments Group Holding (PGH), formerly SGT German Private Equity, has undergone a significant transformation through a reverse merger integrating three Internet payment service providers. This strategic move transforms the company from an asset management-based model to an operating fintech company providing closed and open loop prepaid payment services to global online merchants. With a nicely differentiated offering, PGH is well positioned to benefit from the rapidly growing e-voucher market. With the overall market growing at a CAGR of over 15%, PGH is likely to enter hyperscaling mode given a bundle of innovative products, regional expansion and possible economies of scale. Yet, the market does not seem to have fully grasped the large potential of PGH's new business, which leads us to reiterate our BUY rating with a new PT of EUR 3.00 (previously EUR 2.40).

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## Germany | Financial Services | MCap EUR 41.0m | EV EUR 43.2m (post transaction view)

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## Nothing is more permanent than change; Re-initiate with BUY

**Reverse merger creates new opportunities.** The Payments Group Holding (PGH) was created through a complex reverse merger transaction, marking a pivotal moment for the company. This strategic move involved the integration of three privately held Internet payment service providers into SGT German Private Equity (SGF), now renamed The Payments Group Holding. This transformation represents a shift from an asset management-based business model to a more traditional operating company.

**Becoming fintech** Now, PGH is a rapidly growing, vertically integrated e-money FinTech offering both closed and open loop prepaid payment services to a diverse range of global online merchants. The company provides a scalable, regulatory-compliant FinTech platform, enabling online merchants to access previously untapped cash and prepaid markets, as well as embedded financial products.

**Focusing on the lucrative pocket of the payment service industry** PGH differentiates itself by focusing on niche e-voucher and prepaid solutions, which allows it to avoid direct competition with the larger payment providers, which compete primarily for the high-volume, low-margin mass market. In contrast, PGH benefits from high margins in the low-volume payment sector, as e-voucher transactions are often limited to a few hundred EUR. The company's omni-channel strategy, serving both online and offline channels, further differentiates it from its competitors. With over 550,000 points of sale, like kiosks, drug stores or gas stations, PGH is well positioned to expand its addressable market and drive growth.

**Strong growth** The e-voucher market is experiencing strong growth with a CAGR of over 15%. PGH is expected to benefit disproportionately from this growth, thanks to its innovative product range, its recently gained e-banking license, regional expansion and new economies of scale. As such, PGH is likely to enter the hyper scaling mode, visible in strong top- and bottom-line growth going forward.

**Undiscovered gem** After a comprehensive model revision, we see attractive upside potential for an investment in PGH, as the capital market does not seem to have fully recognized the company's new opportunities. We therefore reiterate our BUY rating, but raise our PT to EUR 3.00 (previously EUR 2.40 for SGF), noting that significant upside potential is imminent not least when looking at recent M&A multiples

| The Payments Group | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| Sales | 14.4 | 4.8 | 0.3 | 17.8 | 32.4 | 51.8 |
| *Growth yoy* | 18.4% | -66.7% | -94.8% | 7,020.0% | 82.0% | 60.0% |
| EBITDA | 2.6 | -7.7 | -1.1 | 6.4 | 15.8 | 25.7 |
| EBIT | -5.3 | -82.5 | -1.1 | 6.4 | 15.8 | 25.7 |
| Net profit | 6.9 | -81.5 | -1.1 | 5.1 | 8.1 | 13.2 |
| Net debt (net cash) | -3.4 | -0.0 | 2.2 | -0.6 | -5.4 | -13.4 |
| Net debt/EBITDA | -1.3x | 0.0x | -1.9x | -0.1x | -0.3x | -0.5x |
| EPS reported | 0.16 | -1.76 | -0.03 | 0.13 | 0.21 | 0.34 |
| DPS | 0.02 | 0.00 | 0.00 | 0.05 | 0.07 | 0.12 |
| *Dividend yield* | 1.9% | 0.0% | 0.0% | 4.3% | 6.9% | 11.3% |
| Gross profit margin | 48.3% | 4.7% | 100.0% | 70.0% | 70.0% | 70.0% |
| EBITDA margin | 18.1% | -160.0% | -460.0% | 36.0% | 48.8% | 49.5% |
| EBIT margin | -36.9% | -1,721.1% | -460.0% | 36.0% | 48.8% | 49.5% |
| ROCE | -5.2% | -445.3% | -1.0% | 5.5% | 12.7% | 18.3% |
| EV/Sales | 2.6x | 8.5x | 172.8x | 2.3x | 1.1x | 0.5x |
| EV/EBITDA | 14.4x | -5.3x | -37.6x | 6.3x | 2.2x | 1.1x |
| EV/EBIT | -7.1x | -0.5x | -37.6x | 6.3x | 2.2x | 1.1x |
| PER | 6.5x | -0.6x | -35.6x | 8.1x | 5.1x | 3.1x |

Source: Company data, mwb research; consolidation of the new business model as of FY25


Source: Company data, mwb research

| | |
|---|---|
| **High/low 52 weeks** | 1.75 / 0.45 |
| **Price/Book Ratio** | 0.5x |

**Ticker / Symbols**

| | |
|---|---|
| ISIN | DE000A1MMEV4 |
| WKN | A1MMEV |
| Bloomberg | PGH:GR |

**Changes in estimates**

| | | Sales | EBIT | EPS |
|---|---|---|---|---|
| **2025E** | old | 2.1 | 0.9 | 0.07 |
| | Δ | 747.6% | 609.6% | 86.3% |
| **2026E** | old | 2.1 | 0.9 | 0.07 |
| | Δ | 1,427.6% | 1,633.6% | 214.9% |
| **2027E** | old | 51.8 | 25.7 | 0.34 |
| | Δ | 0.0% | 0.0% | 0.0% |

**Key share data**

| | |
|---|---|
| Number of shares: (in m pcs) | 38.65 |
| Book value per share: (in EUR) | 2.20 |
| Ø trading vol.: (12 months) | 5,730 |

**Major shareholders**

| | |
|---|---|
| TPG Shareholder | 64.8% |
| New Investors | 10.4% |
| Frankfurter Value Focus Fund | 2.5% |
| Free Float | 17.8% |

**Company description**

The Payments Group Holding, formerly known as SGT German Private Equity, is a listed investment holding based in Frankfurt, Germany. Together with its subsidiaries it offers a comprehensive range of online payment services, including embedded financial services, prepaid technologies, and global payment and payout solutions. In addition, the company holds significant assets from its former Heritage VC portfolio.

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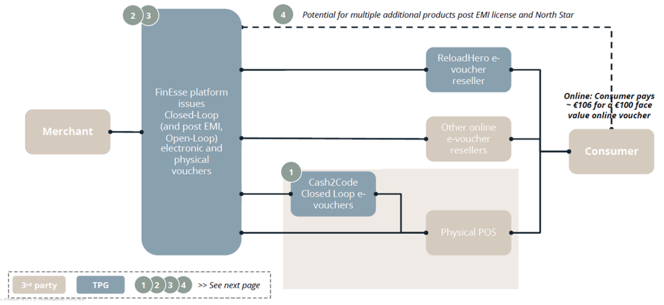
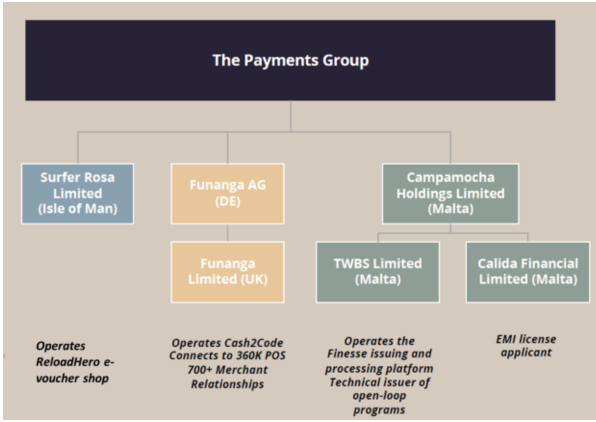
# Investment case in six charts

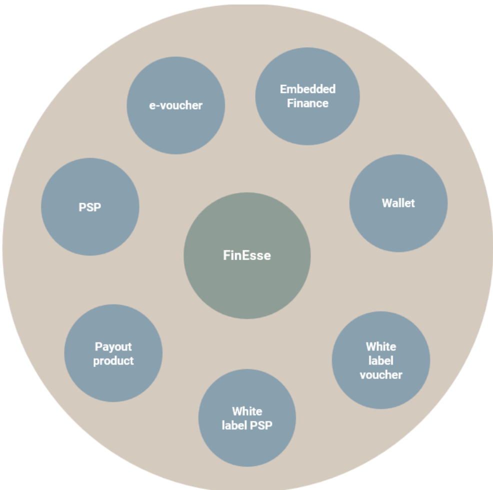
## Products & Services




## Structure




## EUR 1bn market opportunity




## e-voucher market growth


## Global Presence


## Heritage VC portfolio - core holdings

REMERGE
App Retargeting

AUCTIONTECH

Source: Company data; mwb research

# Table of content

# Company background

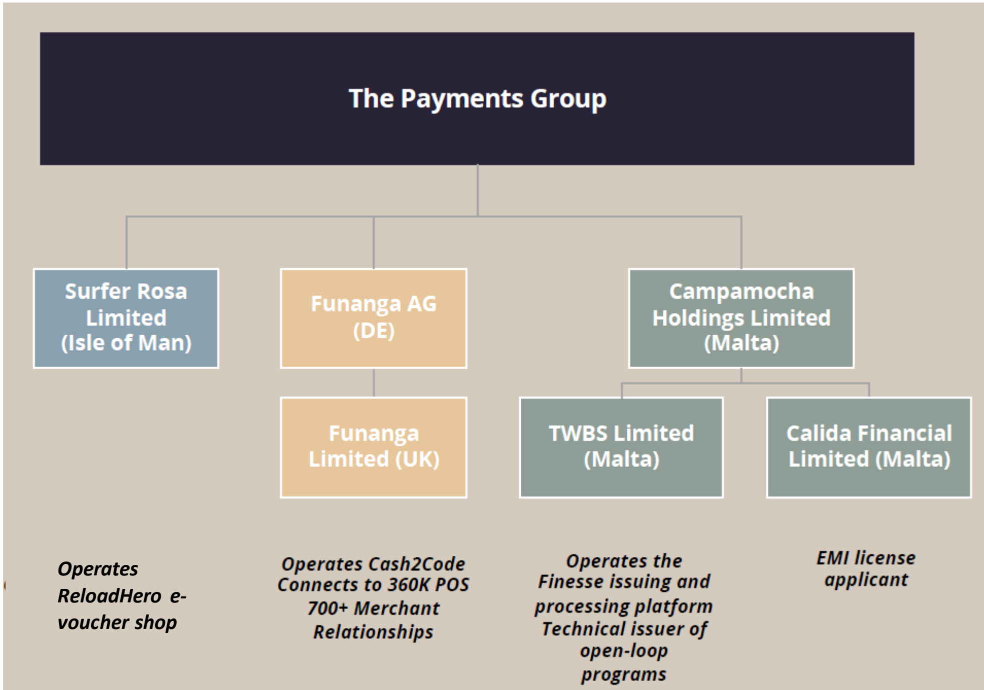
## Products & services

The Payment Group Holding (PGH) is a dynamic player in the digital payments landscape, offering a range of financial solutions that streamline the way businesses and consumers transact. The company provides

- secure **cash-to-digital** payment systems,
- versatile **e-voucher solutions**,
- prepaid and embedded financial services and
- an advanced financial **technology platform**.

These offerings not only enhance convenience, but also enable businesses to expand their payment capabilities globally. With a strong network and a commitment to technological excellence. The Payments Group basically consists of four operating units which in future will operate under the combined holding structure:

**Legal structure**




Source: Company data; mwb research

**Surfer Rosa Ltd** operates an API-driven digital logistics platform that powers its direct-to-consumer fulfillment channels for digital content. The platform streamlines the operational and technical logistics of publishing and selling digital content globally in real-time. The platform currently hosts two fully-owned e-commerce shops that provide direct-to-consumer content such as prepaid cards, gift cards or other digital items. The platform allows to easily duplicate the shopping environments to service customers globally whilst keeping them in a fully localized environment. A future business model is to offer white-label shop systems with built-in digital content provisioning capabilities to the video gaming industry. Direct fulfillment is a key focus in the video gaming and content creation industries.

**Funanga AG** has been founded in 2013 and is headquartered in Germany. Funanga AG specializes in cash payments for e-commerce, with its main product being CashtoCode, a payment API service that connects online merchants with real-world retail locations. This service enables cash payments for online purchases by allowing merchants to issue cash barcodes that customers can use at retail locations, operating in real-time and fully automated.

**TWBS Limited** is a Malta-based company that specializes in developing bespoke payment and financial technology solutions, all accessible through a single, intuitive platform. The cutting-edge technology leverages AI-driven analytics, real-time data integration, and seamless API connectivity. The platform has many core features to it, such as prepaid issuing, digital warehousing for self-issued and third-party issued prepaid card, vouchers, gifting products or digital content. Other features include API-connectivity for global payments and payouts as well as white-label e-wallet offering.

**Calida Financial Limited** is a Malta-based, regulated e-money institution (EMI), authorized and supervised by the Maltese Financial Services Authority. Calida acts in the Group as the licensed entity that provides the open-loop e-money programs, complementing it in such a way that and financial service can be operated, utlising the issuing technology of TWBS Limited, the distribution capacities of Funanga AG and Surfer Rosa to allow the Group's financial products to reach global scale across any online and offline channel.

**The service is executed in the following ways:**

1. **Cash2Code** enables consumers to make online purchases with cash by issuing Closed-Loop vouchers via the CashtoCode platform. A typical practical example would be a video game publisher integrating with the CashtoCode platform to allow customers to obtain a closed-loop voucher that can then be redeemed by presenting it at a supermarket checkout (POS) and paying with it. This allows for example mid-market game publishers to have their own closed-loop gift card that people can use to pay with in their local store. This service has been active since 2016 and operates through a network of over 550,000 points of sale (POS) across the EU, UK, Canada and a few markets in South America.

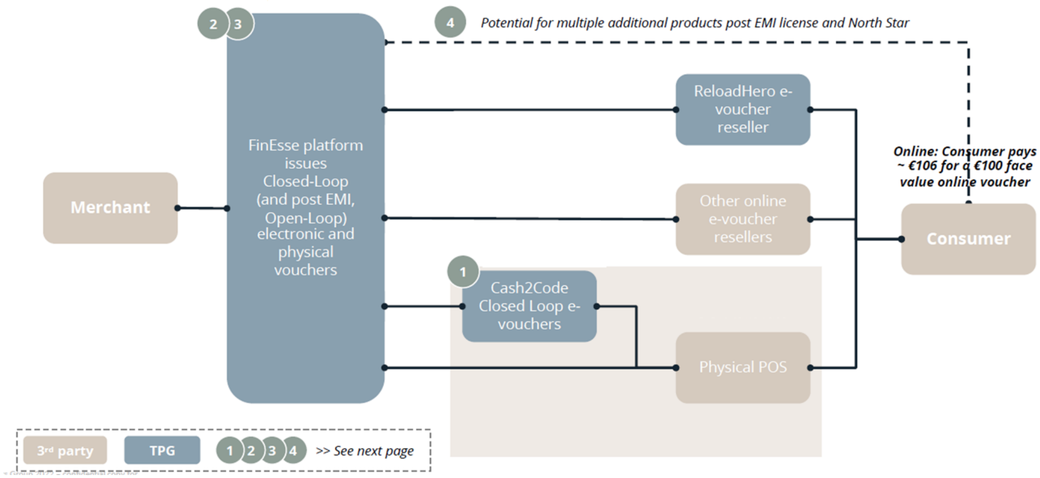
2. The **e-voucher solution** allows consumers to purchase a stored value card that can be bought from a global network of connected resellers using a variety of different payment methods. The e-voucher is a white-label solution and can be customized for specific merchants and use cases. Merchants can offer their own branded and purpose-built voucher across their brands to increase customer loyalty, provide a smooth checkout experience and for gifting purposes. Initially launched in a number of non-EU markets, the e-voucher proposition can now be replicated within the EU utilizing the Group's electronic money license.

3. The **FinEsse platform** serves as the central hub for Cash2Code and the e-voucher solution. It is a technically advanced platform, capable of launching additional products with minimal technical development.

4. Additional products ready for launch on the FinEsse platform include:

    - A White-label voucher products.
    - Convenient customer e-wallets that allow users to manage any prepaid or gift card in a single wallet.
    - A payout product enabling merchants to process global cross-border B2C payout transactions.
    - A PSP offering with hundreds of global online merchants integrated into its Merchant-API, supporting both banking and card-based payment flows.
    - Embedded finance products that leverage the FinEsse platform and EMI license to create integrated payment flows for global marketplaces.

## Products & Services




Source: Company data; mwb research

## Partners

PGH has developed and maintained extensive relationships across a broad spectrum of the financial and digital commerce ecosystem. These relationships include strong ties with **online merchants** who rely on the Group's solutions to streamline transactions and enhance the customer experience. In addition, PGH has forged key partnerships with **point-of-sale (POS) providers**, ensuring seamless integration and operation at physical retail locations. Its network also includes resellers, such as **channel partners** or **online resellers**, who play a critical role in distributing and promoting its services, and payment service providers (PSPs), who help facilitate a wide range of payment options and further bring additional merchants into the Group's ecosystem. In addition, PGH has established alliances with **banking partners**, enabling them to offer secure financial solutions. Together, these relationships enable PGH to provide comprehensive and effective payment services across multiple channels and markets.

In more detail, PGH's sales can be broken down into four main channels.

**Online Merchants**:

- E-commerce platforms, reflecting the demand for digital retail and online shopping solutions.
- Online service providers, which includes sales from various digital services and subscription-based platforms.
- Digital marketplaces, representing platforms that facilitate transactions between buyers and sellers.

**Point-of-Sale (POS):**

- Retail, derived from POS systems used in traditional retail environments such as supermarkets.
- Self-service stations such as ATMs or unmanned payment terminals.

**Resellers:**

- Online resellers who sell PGH solutions direct to consumers
- Distributors and wholesalers, resulting from large-scale distribution and wholesale activities.

**PSPs (Payment Service Providers)**:
- PSPs integrated into the Funanga or TWBS API can resell the PGH issued payment products to their merchants
- solutionsFinancial Institutions that make use of the embedded offering to enhance their customer-facing financial services and flows.

## International footprint

PGH maintains a worldwide physical presence across the EU, UK, Canada and a few markets in South America, with an established network of over 550,000 Point of Sale (POS) locations in 21 countries. This extensive array of POS locations not only underscores PGH's foothold in these regions, but also highlights its ability to facilitate seamless transactions and deliver robust, reliable services. The scale of this offline network plays a critical role in supporting efficient and accessible payment solutions for a large number of consumers and businesses.

In addition to its established offline infrastructure, PGH has also established a strong and active digital presence, engaging with users online in more than 100 countries. This omni-channel strategy - combining an extensive physical network with a comprehensive digital footprint - enables PGH to extend its reach and increase its accessibility to a broad, international audience. The synergy between its physical and online operations positions PGH as a versatile and influential player in the global payments landscape, adeptly navigating and leveraging both traditional and modern channels to deliver superior payment solutions and services. The ability to allow customers to use cash for e-commerce allows PGH to tap into the largest customer-base in the world. Cash is the most universal payment option.

**Global Presence**


Source: Company data; mwb research

## The heritage VC portfolio

PGH's heritage VC investments had been bundled in a separate entity "German Startups Group VC GmbH". As per H1 24, **the total book value of these investments amounted to EUR c. 10m**, made up from two core holdings and a handful (9) smaller investments. According to the management, **the core holdings present c. 73% of the entire net asset value (NAV) of the portfolio.**

**Heritage VC portfolio - core holdings**

Source: Company data; mwb research

**The following gives a short description of the top two Heritage portfolio holdings of PGH:**

**AuctionTech** was founded in 2017 by leading employees of Auctionata. The company offers an online live stream auction technology, which AuctionTech acquired from the insolvent online auction house Auctionata. The founding team around CEO Jan Thiel offers this unique technology to traditional auction houses and online marketplaces as a cloud-based software-as-a-service, enabling them to run live video auctions in 100% real time regardless of their size or location, reaching bidders worldwide. Currently, AuctionTech provides this software for real estate, art and luxury auctions; other potential segments include watches, jewelry and antiques, as well as classic cars and B2B investment goods. Recently, AuctionTech entered into a global partnership with star auctioneer and founder of the world's third largest auction house, Simon de Pury, to jointly broadcast his auctions online in real time in parallel anywhere in the world. The German Startups Group is a lead investor in AuctionTech. **Share 26.9%.**

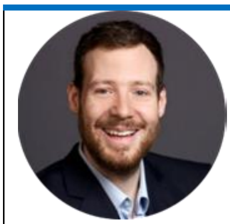
**Remerge** - AdTech startup remerge offers app providers the opportunity to place ads in over 350,000 other apps through an integrated retargeting platform, according to the company. According to Remerge, advertisers can reach up to 700,000 users per second worldwide. The user target group to be addressed can be defined in detail according to various criteria. According to the company, this reduces wastage and increases both the impact of marketing expenditure on the part of advertisers and the revenues of app publishers, because higher click rates can be achieved through Remerge. According to its own figures, Remerge achieved revenue growth of over 500% in the first three quarters of 2016 compared to the same period of the previous year. **Share 2.4%**

## Management

**Seth Iorio** is a seasoned entrepreneur with more than 20 years of experience in the Internet and fintech industries. He is the co-founder and COO of TPG. Earlier in his career, Iorio played a key leadership role at Frogster Interactive Pictures AG, a publicly traded online gaming company, where he worked closely with Christoph Gerlinger.

**Jens Bader** is a Fintech industry veteran with extensive experience in digital payments and financial technology. He has co-founded and held executive positions in several payments companies. He is a co-founder of TPG, where he works alongside Seth Iorio. Previously, Bader co-founded MuchBetter, an award-winning digital wallet solution with over EUR 1bn in transaction volumes, where he helped shape the company's strategy and growth in the highly competitive payments industry. He has a deep understanding of the digital payments landscape and more than 20 years of experience in business development, marketing and strategic partnerships across multiple markets.

**Christoph Gerlinger** is a well-known entrepreneur and investor in the technology and fintech sector. He is the founder of SGT German Private Equity (formerly German Startups Group), a venture capital firm and private equity asset manager based in Frankfurt, Germany. Under his leadership, the firm has been instrumental in investing in and supporting promising German technology startups. Gerlinger has a long history in the digital and technology industry, having previously founded and led Frogster Interactive Pictures AG. This partnership has continued with Gerlinger playing a key role in the formation of the new PGH, where he serves as CEO and works with Iorio and Jens Bader to drive the company's strategy and growth in the fintech space.

| | | |
|---|---|---|
|  |  |  |
| Seth Iorio<br>**COO / Co-founder TPG**<br>Frogster Interactive Pictures; Gameforge | Jens Bader<br>**CEO / Co-founder TPG**<br>Co-founder several payment firms; PaySafe Card | Christoph Gerlinger<br>**CEO & Founder SGT**<br>Founder Frogster Interactive Pictures |

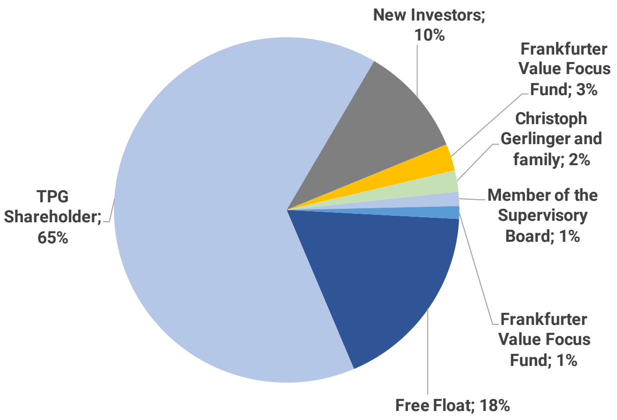
Source: Company data; mwb research

## Shareholders

Post transaction, PGH's ownership structure, will consist of former TPG shareholders retain a substantial 65% of the company's shares, reflecting their strong and continued commitment in the business. Approx. 10% of the shares will be placed with new investors who will join the shareholder base upon placement of former SGF's treasury shares. Among existing shareholders are for example Frankfurter Value Focus Fund, a well-known institutional investor, holding c. 3% of these shares (post transaction) as well as CEO Christoph Gerlinger and his family collectively owning c. 2% of the shares.

As a result of this distribution, 18% of the total shares are in free float.

**Major Shareholders**




Source: Company data; mwb research

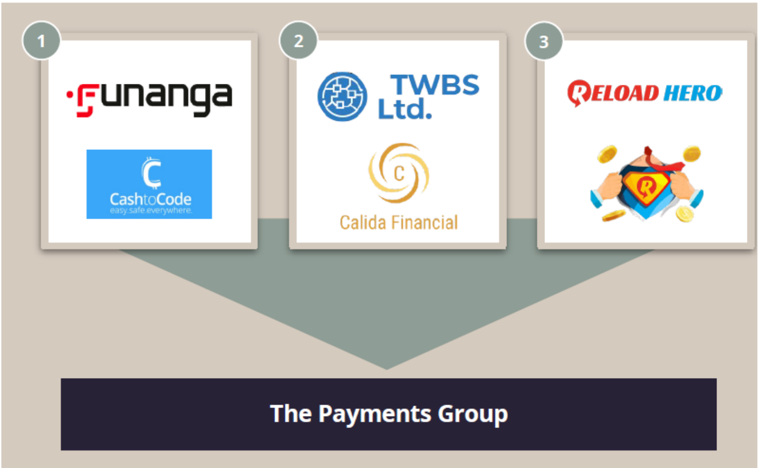
# Deal structure

In essence, The Payments Group Holding will be created through a "Reverse IPO", also known as a Reverse Merger or Reverse Takeover (RTO). In a reverse IPO, a private company that is not publicly traded becomes indirectly tradable on the stock exchange by being acquired or being merged with a company that is already listed. Quite frequently, the listed entity is an empty shell company or a stock listed company that ceased its former operation, with the sole objective of enabling a private company to go public. This process allows the private company to access the public capital markets without the usual IPO process, which often absorbs quite a lot of time and money and more often than not is quite uncertain regarding its outcome. In case of The Payment Group the process looks as follows:

**The Payments Group – the private company**

The Payments Group is an entity-in-formation by merger of three separate prepaid voucher fintech companies which have worked closely together over the past years, and which are held by the same shareholder group. Post merger the company is able to command a large part of the e-voucher and embedded finance value chain.

**The Payments Group**

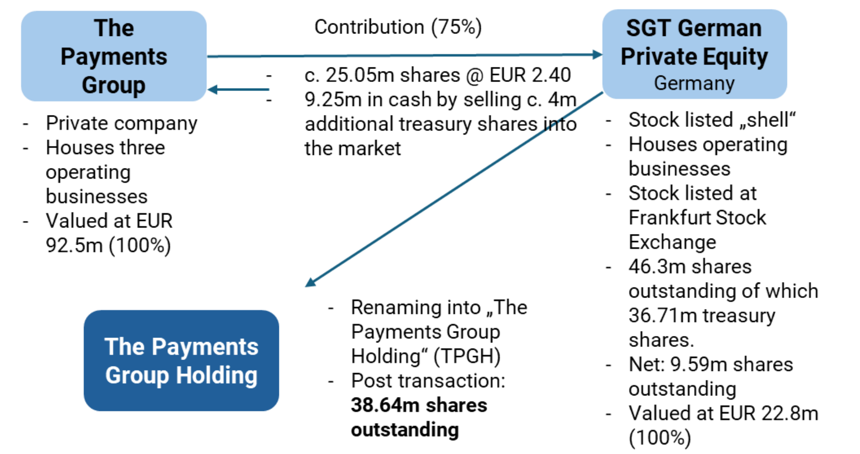



Source: Company data

**SGT German Private Equity – the stock listed company**

SGT Germany Private Equity (SGF), registered in Frankfurt/Main, Germany, is listed on the Frankfurt Stock Exchange. SGT has a total of 46.3m shares outstanding of which 36.71m are held as treasury shares. After having reversed its venture into the Private Equity Asset Management Business, the company's current operating business is nurturing its Heritage VC portfolio. The company is in the process of being renamed into "The Payments Group Holding".

**Reverse IPO structure**




Source: mwb research

**The new "The Payments Holding"**

In the initial phase, SGF will acquire 75% stakes in "The Payments Group" and its associated three target companies through a combination of cash payments and use of the company's treasury shares. The total enterprise value for the three companies is set at EUR 92.5m. Specifically, SGF will pay approximately EUR 9.15m in cash for the first 7.9% of the shares. Together with the 2.1% in shares already owned by SGF this brings the initial shareholding to 10. The remaining 65% will be acquired through transferring 24.8m of the company's treasury shares. The calculation for the capital component assumes a share price of EUR 2.40 for SGF shares, which is roughly four times the price prior to the announcement. This valuation is based on SGF's net asset value (NAV), adjusted for the present value of future administrative costs, amounting to EUR 23.1m, or around EUR 2.40 per share.

**Valuation** The initial valuation of EUR 92.5m represents an EV/Sales multiple of approximately 6x for the year 2025 or an EV/EBITDA multiple of c. 12x (mwb est. assuming a c. 50% EBITDA margin). However, it is important to note that the payment of the purchase price, i.e. cash and stocks, is based on an assumed share price of EUR 2.40 for each SGF share. Calculating the purchase price against the current share price of EUR 1.00 per SGF share, the transaction would be valued at only EUR 32m, resulting in an EV/Sales multiple of around 2x and a corresponding EV/EBITDA multiple of 4.5x.

The following table summarize the transaction and the indicative valuation using both, the calculated EUR 2.40 per SGF share as well using the current share price level of c. EUR 1.00

| Purchase Price | in EURm | in % | Remarks |
|---|---|---|---|
| Cash* | 9,25 | 10% | |
| Shares | 60,1 | 65% | c. 25m shares at EUR 2.40 |
| **Total purchase price** | **69,4** | 75% | |
| | | | |
| EV 100% | 92,5 | | |
| | | | |
| **P&L data** | **2025E** | | |
| Sales | 15 | | |
| EBITDA | 7,2 | | |
| | 48,0% | | |
| **Valuation** | | | |
| EV/Sales | 6,17 | | Valuation based on SGF's |
| EV/EBITDA | 12,85 | | shares valued at EUR 2.40 |
| | | | |
| **EV/Sales** | **3,04** | | **Valuation based on SGF's** |
| **EV/EBITDA** | **6,34** | | **shares valued at EUR 1.00** |

Source: mwb research: * The "old" SGF already own 2.1% in Funanga. Hence only 7.9% needs to be acquired for a total of EUR 9.15m

# Quality

## Customers

PGH serves two distinct customer groups: the **individual end consumer** and **business partners** that utilize the company's service offering. The end consumer segment is characterized by a high degree of fragmentation, with customers typically commanding lower transaction volumes individually. By definition, vouchers are limited to a transaction volume averaging below EUR 100. Since PGH covers the whole value chain, end-to-end control of the voucher schemes create a low-risk payment environment of high integrity. Anticipating an annual transaction volume of EUR 140m in 2025E this would result in a minimum of 1.4m individual end consumers which are using PGH's service offering p.a., assuming each customer uses the maximum amount of voucher volume of EUR 100. As a result, the bargaining power of these clients appears to be limited.

Furthermore, competition among voucher-based payment providers is limited, making it challenging for end customers to switch to alternative payment providers. This market structure, combining fragmented individual consumers with limited alternatives, potentially affords PGH a strong position in terms of customer retention and pricing flexibility, while also aligning with regulatory requirements and minimizing risk exposure through low individual transaction volumes.

On the other hand, PGH relies on a diverse network of partners who offer PGH's services to end consumers. While this partner base is more manageable in number (currently encompassing 550,000 POS locations) compared to individual end users, these partners potentially wield greater bargaining power. However, PGH's offering provides these partners with services they would otherwise be unable to extend to their own clientele. This creates a mutually beneficial arrangement for both PGH and its partners, effectively reducing the partners' bargaining leverage and minimizing the risk of substitution with alternative services. The symbiotic nature of this relationship ensures that partners have a vested interest in maintaining their collaboration with PGH, as it enhances their own service offerings and customer value proposition. Consequently, while these business partners represent a more concentrated customer segment for PGH, the interdependence and shared benefits of their relationship help to balance the power dynamics and foster long-term partnerships.

## Competition

In general, PGH operates in a competitive environment where rivalry among incumbents is intense. This competition comes from both **traditional financial institutions** and **emerging fintech companies such as Paysafe, Neosurf, AstroPay or aircash**. PGH's omni-channel market presence, with more than 550,000 point of sale (POS) locations in 100 countries and a robust online presence in more than 21 countries, helps it to maintain a competitive edge. On top, by focusing on a niche market within the global payment services industry (low volume but high margins voucher business) PGH tries to avoid direct competition with larger more advanced players in that industry. Whilst potential competitor's offers can mostly be described as single, stand-alone solution, PGH integrates their solutions deeper into a merchant's or partner's offering. This creates a more seamless, embedded flow and creates “stickiness” with partners and their customers.

In addition, the threat of new entrants in the payments industry is moderated by several barriers to entry, including technological expertise and established customer relationships. For PGH, the extensive physical and digital infrastructure it has developed over time creates significant barriers to entry for new competitors. However, the increasing accessibility of technology and the rise of agile fintech startups pose an ongoing threat, which so far has been mitigated by PGH's ongoing innovative power.

**Competition**

Source: Company data; mwb research

mwb research

# SWOT analysis

**Strengths**

- Occupying a well protected niche market within the large and growing internet payment service providers market
- Wide range of partners and multiple distribution channels
- Global presence
- High growth, high gross margin business
- Combining off- and online business
- Advanced payment processing solutions
- Own licenses and tech-stack and IP

**Weaknesses**

- Complex regulatory and compliance requirements
- Risks from system failures or breaches (tech dependence)
- Size disadvantage over international competition

**Opportunities**

- Expanding market for online and mobile payments
- New channels and applications
- Geographic roll-out opportunities into more countries incl. developing regions
- Strong scale effects

**Threats**

- Increasing threat of data breaches (cyber criminality)
- Impact of consumer spending (economic downturns)
- Possible increases in compliance costs (regulatory changes)
- New technologies with better payment systems (e.g. blockchain)
- (long-term) pricing pressure
- Creeping commoditization within the payments sector (need to innovate)

# Growth

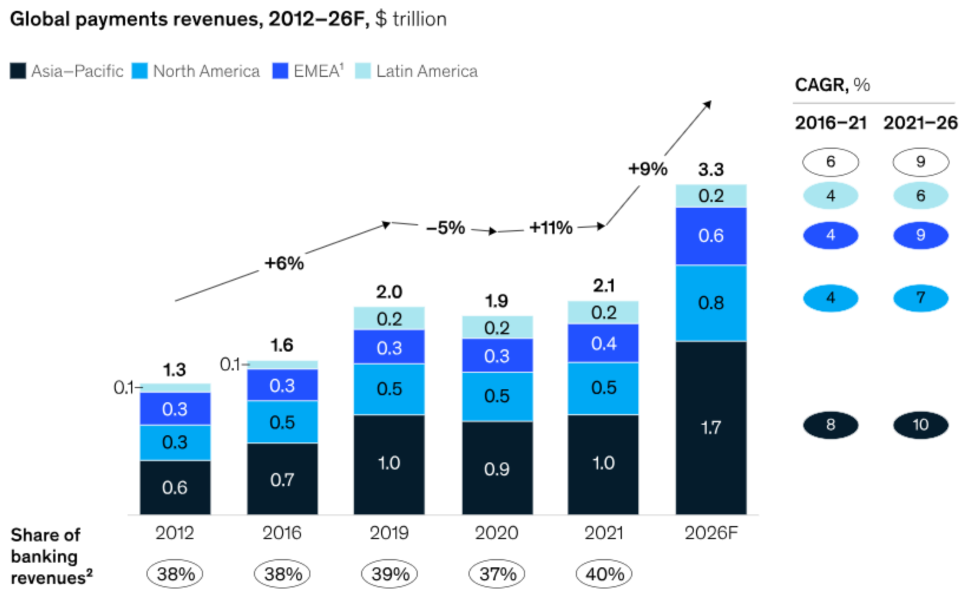
## Market growth

PGH is acting in a growth market with the global payments industry likely to experience substantial growth in the coming years. According to McKinsey's analysis, global payments revenue is expected to surpass USD 3tr by 2026, growing at an average annual rate of 9% from 2021 to 2026. This outlook exceeds pre-pandemic expectations, underscoring the industry's resilience and adaptability. Key growth drivers include

1. the ongoing **digital transformation** accelerated by the COVID-19 pandemic,
2. the continued **boom in e-commerce**,
3. rapid **adoption of digital payments particularly in emerging markets**,
4. **technological advancements** in areas such as blockchain and artificial intelligence, and
5. **evolving regulatory landscapes** that foster innovation and competition.

Regional growth expectations vary, with Asia-Pacific anticipated to remain the primary growth engine, while North America and Europe maintain steady growth, and Latin America shows potential for rapid expansion. All major regions are forecast to expand at an annual average of 6% or higher through 2027. This positive trajectory presents both opportunities and challenges for companies in the payments ecosystem, as they navigate an industry characterized by rapid evolution and innovation. The continued expansion of the global payments sector reflects changing consumer behaviors, technological progress, and dynamic market conditions, positioning it as a key area of growth in the broader financial services landscape.

**Growth of the global payments revenues (2012-2026E)**



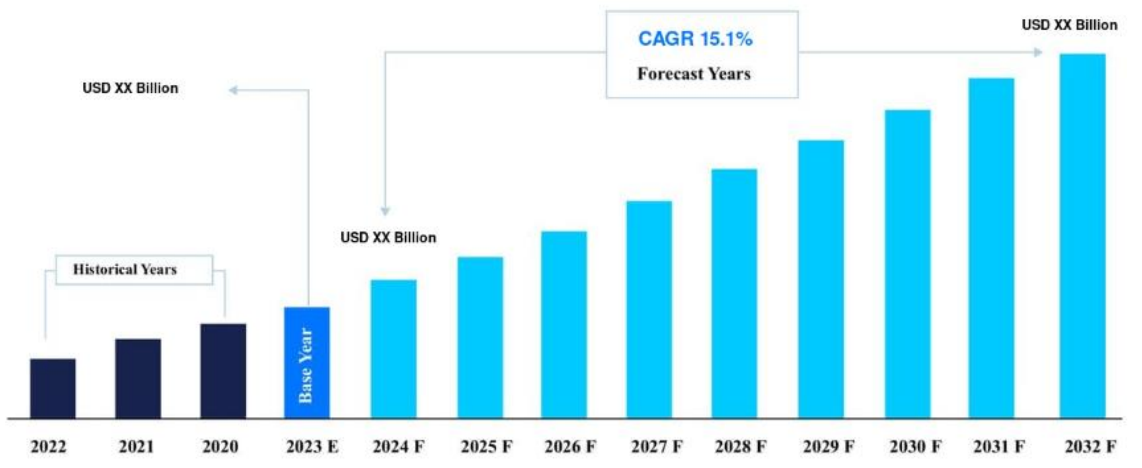

Source: https://www.mckinsey.com/industries/financial-services/our-insights/the-chessboard-rearranged-rethinking-the-next-moves-in-global-payments

## e-voucher an attractive and growing niche market

The European (but also global) e-voucher market, which includes gift cards and digital incentives, is poised for substantial growth in the coming years and hence represents an attractive sub-niche within the global payments industry. Gift cards or vouchers share similarities with prepaid debit cards and have gained popularity among consumers for their convenience, flexibility, reliability, anonymity and security as a payment method. With consumers consistently connected to shopping platforms and utilizing various payment methods, including mobile apps, the rapid growth of digital commerce, particularly on mobile devices, presents an opportunity for merchants and issuers. They can leverage this trend to adopt more innovative and seamless payment options, utilizing new technologies to cater to their customers' needs.

In fact, taking the European gift card market, a significant component of the e-voucher ecosystem as a proxy, it is projected to experience robust expansion. According to Straits Research, the European gift cards market size witnessed significant growth in the past and is expected to grow at a CAGR of 15.1% during the forecast period (2022-2030). Persistence Market Research, estimates that by 2033 the market is expected to reach a valuation of USD 559bn.

**Europe Gift Cards Market Growth (2023-2032E)**




Source: https://straitsresearch.com/report/gift-cards-market/europe

## Growth at PGH

**Topline**

As PGH enters a new chapter, past growth rates have little meaning in predicting the future. Going forward, there are several growth drivers, both from external trends and internal growth opportunities. In a nutshell, these are

External

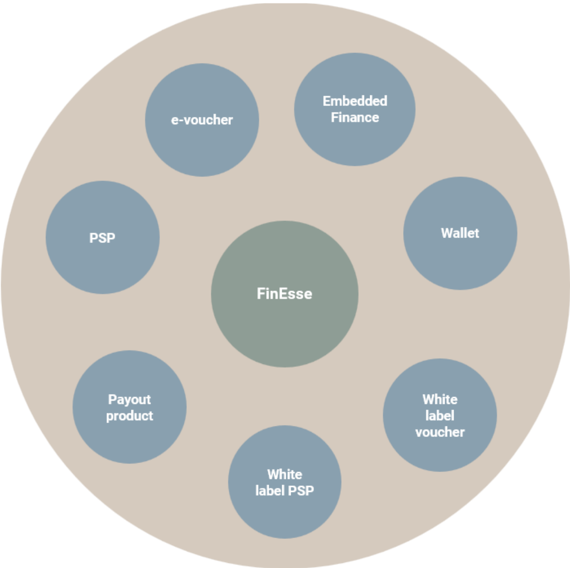
- Increasing **e-commerce penetration**
- **Adoption of alternative payment methods** through merchants
- Increasing need from end customers to **secure personal data protection** -> should improve voucher-based payments over traditional payment methods
- Increasing **technological savviness**

Internal

- **New product innovations** based on the existing FinEsse platform and the recently obtained e-banking license
- **Increasing number of connected merchants**
- **International expansion** of a tried and tested business model
- **Diversifying into new sectors** such as automotive, hospitality and mobility
- Embedded services offering to **create stickiness** with merchants
- **Grow the ecosystem** beyond payments with offering in ancillary merchant services around tax, compliance or distribution of digital content.

All of this should allow PGH to enter a hypergrowth phase going forward. In fact, management sees PGH on a path to achieve EUR 1bn in transaction volume (and thus significant revenue growth for the group) by leveraging a bundle of growth initiatives as shown in the picture below.

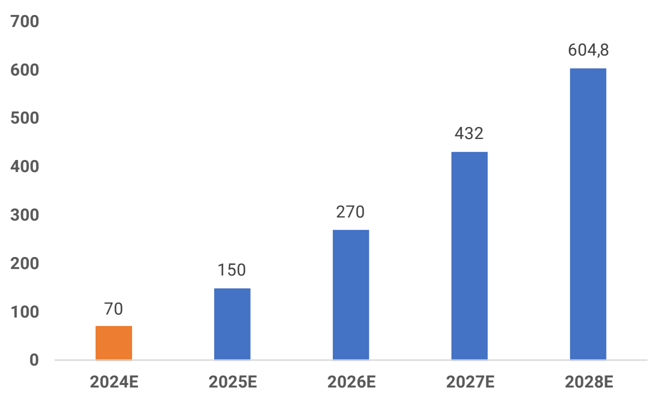
**EUR 1bn market opportunity**



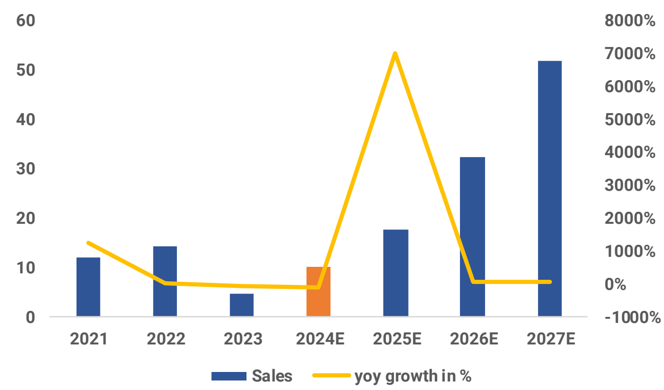

Source: Company data

Going forward, we expect PGH to continue to benefit from the aforementioned growth levers – alongside growing transaction volumes, resulting in a CAGR 25-27E growth assumption of 70%

**Transaction volumes in EURm**




**Sales in EURm / sales growth in %**



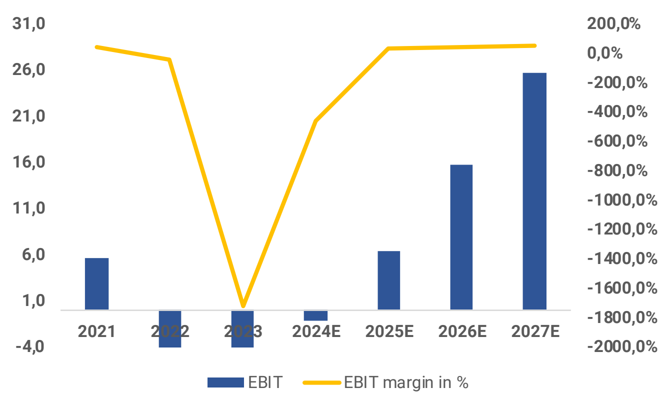

Source: Company data; mwb research; consolidation as of Jan 1, 2025; therefore 2024E estimates represent “pro forma” values

**Bottom line**

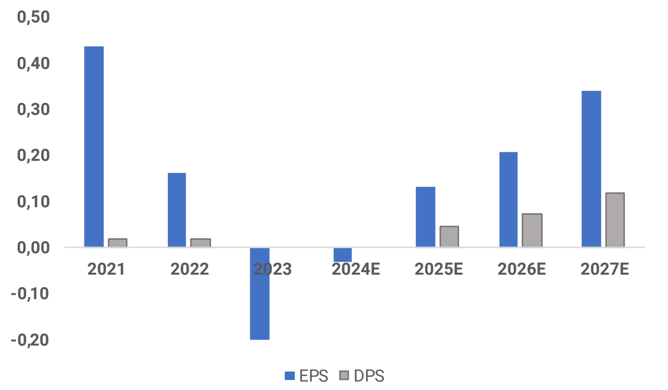
With its top-line in hyper scaling modus, PGH is likely to grow its bottom-line, too. We believe that EBITDA margins of 50% - similar to other payment service providers - are achievable. Our assumptions are based on the following input data

- 10-12% margins on transaction volumes
- Average EBITDA margins of 50%
- Our EBITDA assumptions include an EBITDA loss of EUR 1.2m p.a. from the former legacy business
- Within the forecast period, no disposals from the company's Heritage VC portfolio are incorporated.
- Dividend payments being resumed as of 2025 (35% payout ratio anticipated)

**EBIT in EURm / EBIT margin in %**




**EPS vs. DPS**




Source: Company data; mwb research

The following table summarizes the top- and bottom-line performance of PGH

| Growth table (EURm) | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| Sales | 14.4 | 4.8 | 0.3 | 17.8 | 32.4 | 51.8 |
| Sales growth | 18.4% | -66.7% | -94.8% | 7,020.0% | 82.0% | 60.0% |
| EBIT | -5.3 | -82.5 | -1.1 | 6.4 | 15.8 | 25.7 |
| EBIT margin | -36.9% | -1,721.1% | -460.0% | 36.0% | 48.8% | 49.5% |
| Net profit | 6.9 | -81.5 | -1.1 | 5.1 | 8.1 | 13.2 |

Source: Company data; mwb research

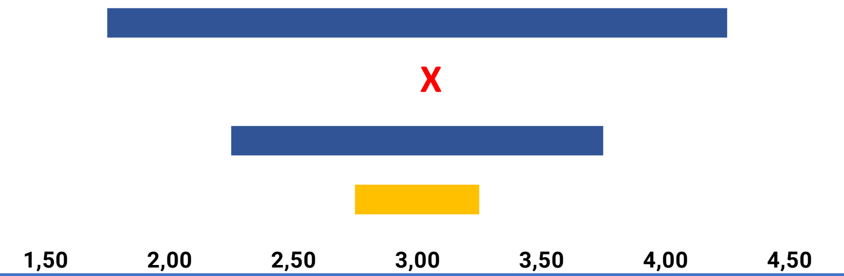
# Valuation

In order to derive at a fair value for The Payments Group we have conducted several valuation approaches. We note however that valuing an investment firm, traditional valuation techniques often provide pitfalls and hence do not 100% accurately reflect the true value of the company. These are:

1. DCF Model
2. Adj. FCF yield
3. Peer group analysis

The following table summarizes the potential range of fair values for The Payments Group, using the different valuation approaches.

| **Valuation overview - in EUR** | | **Fair Value** |
|---|---|---|
| **Peer Group** | EV/EBITDA 2025/2026 | **1,86-4,08** |
| **Average** | | **3,01** |
| **adj. FCF yield** | 2025E/2026E | **2,3-3,6** |
| **DCF** | Beta 1,3x | **3,1** |
| **EUR** | | |




Source: mwb research; The DCF model is the most appropriate valuation method in our view

**mwb research valuation toolbox**

As discussed later, a **peer group comparison** often comes with challenges in finding the appropriate peers. More often than not, comparable companies differ quite significantly in terms of size, growth rates, profitability and/or geographical exposure. Also, different stages in the life-cycle of a company might command different risk-/reward profiles. All these elements have a significant impact on the appropriate fair value computation. We therefore deem our peer analysis as a rather inappropriate measure to derive at a fair value for PGH.

Our proprietary **adj. FCF yield valuation** technique values a company on a stand-alone basis. However, the FCF yield observation is a relatively static approach where the cash flows of *one specific year* in the future will be taken as the basis for valuing the entire company, i.e. taking a private equity view, where all cash flows and earnings belong to the potential buyer. An additional pitfall is that cash flows are not discounted to today's value. Hence, the adj. FCF yield only derives at meaningful results if a company has stable future cash flows.

Our **DCF derived fair value** valuation is the most appropriate valuation method for companies in its growth phase but with "easy" to predict future cash flows.

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## DCF Model

The DCF model results in a **fair value of EUR 3.07 per share**:

**Top-line growth**: We expect The Payments Group Holding to grow revenues at a CAGR of 132.6% between 2024E and 2031E. The long-term growth rate is set at 2.0%.

**ROCE**. Returns on capital are developing from 5.5% in 2025E to 13.9% in 2031E.

**WACC**. Starting point is a historical equity beta of -0.39. Unleverering and correcting for mean reversion yields an asset beta of 1.30. Combined with a risk-free rate of 2.0% and an equity risk premium of 6.0% this yields cost of equity of 12.7%. With pre-tax cost of borrowing at 5.0%, a tax rate of 25.0% and target debt/equity of 0.5 this results in a long-term WACC of 9.7%.

| DCF (EURm) (except per share data and beta) | 2024E | 2025E | 2026E | 2027E | 2028E | 2029E | 2030E | 2031E | Terminal value |
|---|---|---|---|---|---|---|---|---|---|
| NOPAT | -1.1 | 5.1 | 8.1 | 13.2 | 16.3 | 16.6 | 15.6 | 13.7 | |
| Depreciation & amortization | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Change in working capital | -1.1 | -3.5 | -4.3 | -6.9 | -7.5 | -5.2 | -4.0 | -3.0 | |
| Chg. in long-term provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | |
| Capex | -0.0 | -0.1 | -0.2 | -0.3 | -0.4 | -0.4 | -0.4 | -0.5 | |
| Cash flow | -2.2 | 1.5 | 3.6 | 6.1 | 8.4 | 11.0 | 11.2 | 10.2 | 135.1 |
| Present value | -2.2 | 1.3 | 2.9 | 4.5 | 5.6 | 6.7 | 6.2 | 5.2 | 68.6 |
| WACC | 9.9% | 9.9% | 9.8% | 9.8% | 9.8% | 9.8% | 9.8% | 9.8% | 9.7% |

| DCF per share derived from | |
|---|---|
| Total present value | 98.8 |
| Mid-year adj. total present value | 103.5 |
| Net debt / cash at start of year | 2.2 |
| Financial assets | 17.4 |
| Provisions and off b/s debt | na |
| Equity value | 118.7 |
| No. of shares outstanding | 38.7 |
| **Discounted cash flow / share** | **3.07** |
| **upside/(downside)** | **189.8%** |
| **Share price** | **1.06** |

| DCF avg. growth and earnings assumptions | |
|---|---|
| Planning horizon avg. revenue growth (2024E-2031E) | 132.6% |
| Terminal value growth (2031E - infinity) | 2.0% |
| Terminal year ROCE | 13.9% |
| Terminal year WACC | 9.7% |

| Terminal WACC derived from | |
|---|---|
| Cost of borrowing (before taxes) | 5.0% |
| Long-term tax rate | 25.0% |
| Equity beta | -0.39 |
| Unlevered beta (industry or company) | 1.30 |
| Target debt / equity | 0.5 |
| Relevered beta | 1.79 |
| Risk-free rate | 2.0% |
| Equity risk premium | 6.0% |
| Cost of equity | 12.7% |

**Sensitivity analysis DCF**

| Change in WACC (%-points) | Long term growth 1.0% | 1.5% | 2.0% | 2.5% | 3.0% |
|---|---|---|---|---|---|
| 2.0% | 2.3 | 2.4 | 2.5 | 2.5 | 2.6 |
| 1.0% | 2.6 | 2.6 | 2.7 | 2.8 | 2.9 |
| 0.0% | 2.8 | 2.9 | 3.1 | 3.2 | 3.4 |
| -1.0% | 3.2 | 3.4 | 3.5 | 3.7 | 3.9 |
| -2.0% | 3.7 | 3.9 | 4.1 | 4.4 | 4.8 |

| Share of present value | |
|---|---|
| 2024E-2027E | 6.6% |
| 2028E-2031E | 23.9% |
| terminal value | 69.4% |

Source: mwb research

## FCF Yield Model

Due to the fact that companies rarely bear sufficient resemblance to peers in terms of geographical exposure, size or competitive strength and in order to adjust for the pitfalls of weak long-term visibility, an Adjusted Free Cash Flow analysis (Adjusted FCF) has been conducted.

**The adjusted Free Cash Flow Yield results in a fair value between EUR -0.03 per share based on 2024E and EUR 7.31 per share on 2028E estimates.**

The main driver of this model is the level of return available to a controlling investor, influenced by the cost of that investors' capital (opportunity costs) and the purchase price – in this case the enterprise value of the company. Here, the adjusted FCF yield is used as a proxy for the required return and is defined as EBITDA less minority interest, taxes and investments required to maintain existing assets (maintenance capex).

| FCF yield in EURm | 2024E | 2025E | 2026E | 2027E | 2028E |
|---|---|---|---|---|---|
| **EBITDA** | **-1.1** | **6.4** | **15.8** | **25.7** | **32.7** |
| - Maintenance capex | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Minorities | 0.0 | 1.3 | 3.0 | 4.7 | 6.6 |
| - tax expenses | 0.0 | 0.0 | 4.7 | 7.7 | 9.8 |
| **= Adjusted FCF** | **-1.1** | **5.1** | **8.1** | **13.2** | **16.3** |
| **Actual Market Cap** | **49.1** | **49.1** | **49.1** | **49.1** | **49.1** |
| + Net debt (cash) | 2.2 | -0.6 | -5.4 | -13.4 | -23.7 |
| + Pension provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| + Off B/S financing | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| - Financial assets | 17.4 | 17.4 | 17.4 | 17.4 | 17.4 |
| - Acc. dividend payments | 0.0 | 0.0 | 1.8 | 4.6 | 9.2 |
| *EV Reconciliations* | -15.2 | -18.0 | -24.6 | -35.5 | -50.4 |
| **= Actual EV'** | **33.9** | **31.1** | **24.5** | **13.6** | **-1.4** |
| **Adjusted FCF yield** | **-3.4%** | **16.3%** | **33.1%** | **97.4%** | **-1,204.0%** |
| base hurdle rate | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% |
| ESG adjustment | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| adjusted hurdle rate | 7.0% | 7.0% | 7.0% | 7.0% | 7.0% |
| **Fair EV** | **-16.4** | **72.5** | **115.6** | **189.2** | **232.2** |
| - *EV Reconciliations* | -15.2 | -18.0 | -24.6 | -35.5 | -50.4 |
| **Fair Market Cap** | **-1.2** | **90.5** | **140.2** | **224.7** | **282.7** |
| No. of shares (million) | 38.7 | 38.7 | 38.7 | 38.7 | 38.7 |
| **Fair value per share in EUR** | **-0.03** | **2.34** | **3.63** | **5.81** | **7.31** |
| **Premium (-) / discount (+)** | **-102.9%** | **121.0%** | **242.3%** | **448.4%** | **589.9%** |

| Sensitivity analysis FV | | | | | | |
|---|---|---|---|---|---|---|
| **Adjusted hurdle rate** | 5.0% | -0.2 | 3.1 | 4.8 | 7.8 | 9.7 |
| | 6.0% | -0.1 | 2.7 | 4.1 | 6.6 | 8.3 |
| | **7.0%** | **-0.0** | **2.3** | **3.6** | **5.8** | **7.3** |
| | 8.0% | 0.0 | 2.1 | 3.3 | 5.2 | 6.6 |
| | 9.0% | 0.1 | 1.9 | 3.0 | 4.7 | 6.0 |

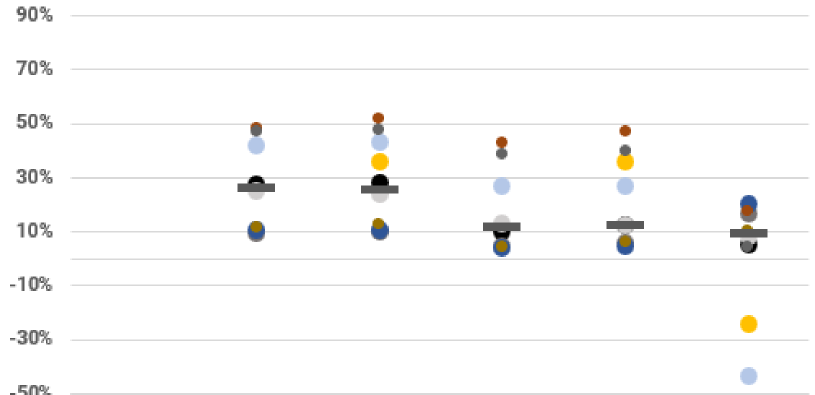
Source: Company data; mwb research

Simply put, the model assumes that investors require companies to generate a minimum return on the investor's purchase price. The required after-tax return equals the model's hurdle rate of 7.0%. Anything less suggests the stock is expensive; anything more suggests the stock is cheap. **ESG adjustments might be applicable. A high score indicates high awareness for environmental, social or governance issues and thus might lower the overall risk an investment in the company might carry. A low score on the contrary might increase the risk of an investment and might therefore trigger a higher required hurdle rate.**

## Peer group analysis

A peer group or comparable company ("comps") analysis is a methodology that calculates a company's relative value — how much it should be worth based on how it compares to other similar companies. Given that **The Payments Group Holding** differs quite significantly in terms of size, focus, financial health and growth trajectory, we regard our peer group analysis merely as a support for other valuation methods. The peer group of The Payments Group Holding consists of the stocks displayed n the below. As of 13 September 2024 the median market cap of the peer group was EUR 1,909.1m, compared to EUR 41.0m for The Payments Group Holding. In the period under review, the peer group was more profitable than The Payments Group Holding. The expectations for sales growth are higher for the peer group than for The Payments Group Holding.

**Peer Group – Key data**

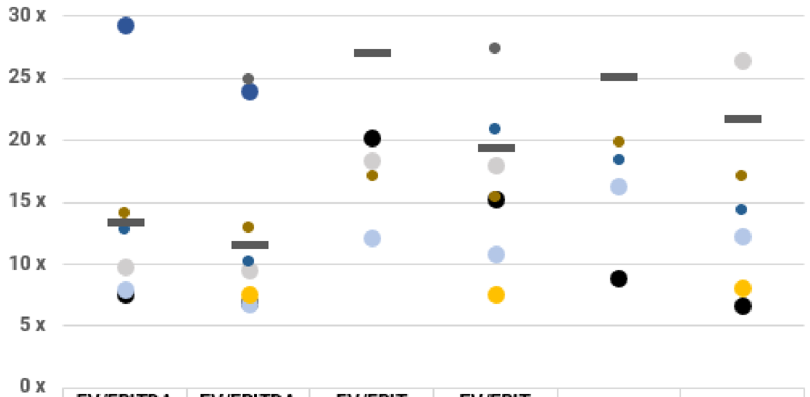



| 13-Sep-24 | Market Cap (EURm) | EBITDA margin 2024 | EBITDA margin 2025 | EBIT margin 2024 | EBIT margin 2025 | Sales CAGR 2023-2026 |
|---|---|---|---|---|---|---|
| Paysafe Ltd | 1.231 | 27,7% | 28,5% | 10,5% | 12,9% | 5,6% |
| Trustpilot Group Plc | 1.077 | 9,7% | 10,7% | 5,0% | 6,2% | 16,9% |
| Payoneer Global Inc. | 2.587 | 25,2% | 24,1% | 13,4% | 12,7% | 8,5% |
| Paymentus Holdings, Inc Class A | 419 | 10,8% | 11,0% | 4,2% | 5,1% | 20,8% |
| W.A.G. Payment Solutions Plc | 654 | 42,3% | 43,3% | 27,5% | 27,1% | -43,2% |
| The Payments Group Holding | 49 | -460,0% | 36,0% | -460,0% | 36,0% | -24,0% |
| Adyen NV | 40.492 | 48,3% | 52,1% | 43,4% | 47,4% | 18,2% |
| Fiserv, Inc. | 90.546 | 47,6% | 47,9% | 39,0% | 39,9% | 5,0% |
| Block, Inc. Class A | 32.022 | 11,8% | 13,3% | 4,4% | 6,5% | 10,7% |
| Peer Group Median | 1.909 | 26,4% | 26,3% | 11,9% | 12,8% | 9,6% |

Source: FactSet, mwb research

Comparable company analysis operates under the assumption that similar companies will have similar valuation multiples. We use the following multiples: EV/EBITDA 2024, EV/EBITDA 2025, EV/EBIT 2024, EV/EBIT 2025, P/E 2024 and P/E 2025. Applying these to The Payments Group Holding results in a range of fair values from EUR 0.87 to EUR 3.17.

**Peer Group – Multiples and valuation**




| 13-Sep-24 | EV/EBITDA 2024 | EV/EBITDA 2025 | EV/EBIT 2024 | EV/EBIT 2025 | P/E 2024 | P/E 2025 |
|---|---|---|---|---|---|---|
| ● Paysafe Ltd | 7,6x | 6,9x | 20,2x | 15,3x | 8,8x | 6,7x |
| ● Trustpilot Group Plc | 59,2x | 45,5x | 114,2x | 77,8x | 105,5x | 87,7x |
| ● Payoneer Global Inc. | 9,8x | 9,5x | 18,4x | 18,0x | 30,5x | 26,4x |
| ● Paymentus Holdings, Inc Class A | 29,3x | 24,0x | 75,9x | 51,3x | 50,5x | 40,0x |
| ● W.A.G. Payment Solutions Plc | 7,9x | 6,8x | 12,2x | 10,8x | 16,3x | 12,2x |
| ● The Payments Group Holding | -44,6x | 7,6x | -44,6x | 7,6x | -35,6x | 8,1x |
| ● Adyen NV | 33,4x | 25,0x | 37,2x | 27,4x | 45,4x | 36,4x |
| ● Fiserv, Inc. | 14,1x | 12,9x | 17,2x | 15,5x | 19,9x | 17,1x |
| ● Block, Inc. Class A | 12,8x | 10,2x | 34,1x | 20,9x | 18,4x | 14,4x |
| – Peer Group Median | 13,5x | 11,6x | 27,1x | 19,4x | 25,2x | 21,8x |
| Fair Value (EUR) | -0,46 | 1,86 | -0,86 | 3,17 | -0,75 | 2,86 |

Source: FactSet, mwb research

The following is a detailed description of the peer group (Source: FactSet):

**Paysafe Ltd.** provides online payment solutions. The firm operates through the following segments: Merchant Solutions and Digital Wallet. The Merchant Solutions business segment focuses on card not present and card present solutions for small to medium size business merchants. The Digital Wallet business segment provides wallet based online payment solutions through its Skrill, eCash solutions and NETELLER brands. The company was founded in 1996 and is headquartered in London, the United Kingdom.

**Trustpilot Group Plc** is a holding company, which engages in the digital platform that brings businesses and consumers together to foster trust and inspire collaboration. It operates through the following geographical segments: United Kingdom, North America, and Europe and Rest of World. The company was founded by Peter Holten Mühlmann in 2007 and is headquartered in London, the United Kingdom.

**Payoneer Global, Inc**. is a financial technology company, which engages in providing a financial platform for small and medium-sized businesses to transact and do business. It operates through the Israel, United States, and All Other Countries geographical segments. The company was founded in 2005 and is headquartered in New York, NY.

**Paymentus Holdings, Inc.** engages in the provision of cloud-based bill payment technology and solutions. Its products offer customers electronic bill payment experiences powered by an omni-channel payment infrastructure that allows consumers to pay their bills using their preferred payment type and channel. The company was founded by Dushyant Sharma in 2004 and is headquartered in Charlotte, NC.

**W.A.G. Payment Solutions Plc** provides payment solutions for fleets of professional transport and forwarding companies as well as running a network of petrol stations for commercial road transportation. It operates under the Payment Solutions and Mobility Solutions. The Payment solutions represent energy and toll payments. The Mobility Solutions includes subscription-based services and tax refund, fleet management, navigation and other service offerings. The company was founded on August 3, 2021 and is headquartered in London, the United Kingdom.

**Adyen NV** engages in the provision of payments platform business. Its products include online payments, point of sale, marketplaces, and unified commerce. The firm operates through the following geographical segments: Europe, the Middle East, and Africa (EMEA); North America; Asia-Pacific; and Latin America. The company was founded by Pieter van der Does and Arnout Diederik Schuijff in 2006 and is headquartered in Amsterdam, the Netherlands.

**Fiserv, Inc.** engages in the provision of financial services technology. It operates through the following segments: Merchant Acceptance, Financial Technology, and Payments and Network. The Merchant Acceptance segment provides commerce enabling solutions and serves merchants of all sizes around the world. The Financial Technology segment offers technology solutions needed to run operations, including products and services that enable financial institutions to process customer deposit and loan accounts. The Payments and Network segment includes the provision of services to financial institutions and corporate clients with products and services required to process digital payment transactions. The company was founded by Leslie M. Muma and George D. Dalton on July 31, 1984 and is headquartered in Milwaukee, WI.

**Block, Inc.** engages in creating ecosystems for distinct customer audiences. It operates through the Square and Cash App segments. The Square segment provides businesses the ability to accept card payments. The Cash App segment offers an ecosystem of financial products and services to help consumers manage their money. The company was founded by Jack Patrick Dorsey and James Morgan McKelvey in February 2009 and is headquartered in Oakland, CA.

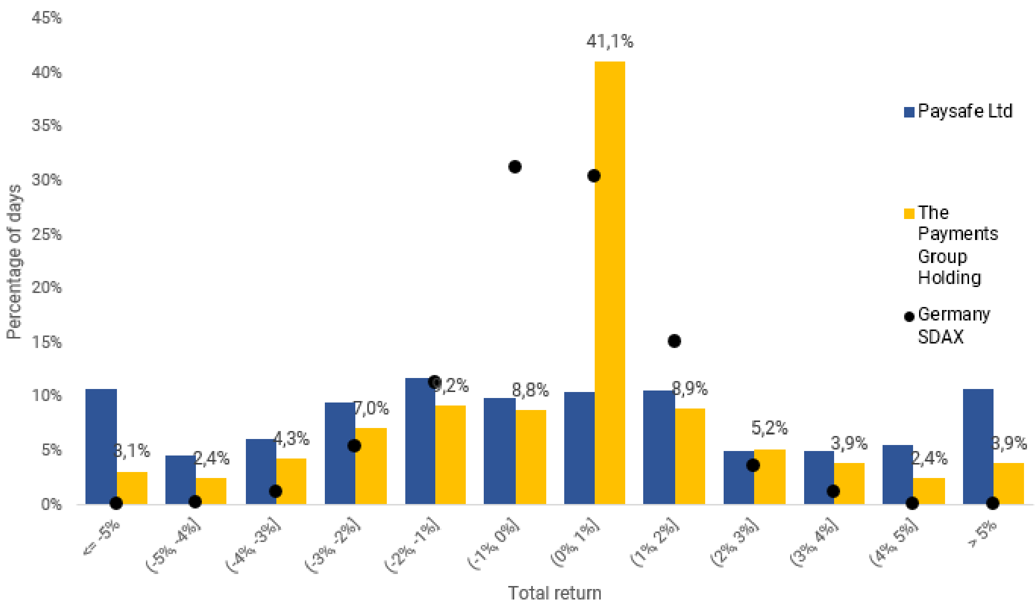
## Recent acquisition multiples underpin attractive valuation

End of August, stock listed Givex (TSX:GIVX), a Toronto-based payments company, has agreed to sell to Pennsylvania-based payment processing specialist Shift 4 (NYSE:FOUR). In this transaction, Givex had been valued at approximately CAD 200m (USD 148m). The price represented a 64% premium to the 20-day volume-weighted average price of the Givex Shares on the Toronto Stock Exchange prior to the announcement. In terms of valuation, the equity price paid represents an EV/EBITDA multiple of 21x, which compares to the 12-13x SGF has paid in this reverse IPO transaction and hence once again underlines the favorable valuation of TPG.

# Risk

The chart displays the distribution of daily returns of The Payments Group Holding over the last 3 years, compared to the same distribution for Paysafe Ltd. We have also included the distribution for the index Germany SDAX. The distribution gives a better understanding of risk than measures like volatility, which assume that log returns are normally distributed. In reality, they are skewed (down moves are larger) and have fat tails (large moves occur more often than predicted). Also, volatility treats up and down moves the same, while investors are more worried about down moves. For The Payments Group Holding, the worst day during the past 3 years was 13/03/2024 with a share price decline of -44.6%. The best day was 13/08/2024 when the share price increased by 24.3%.

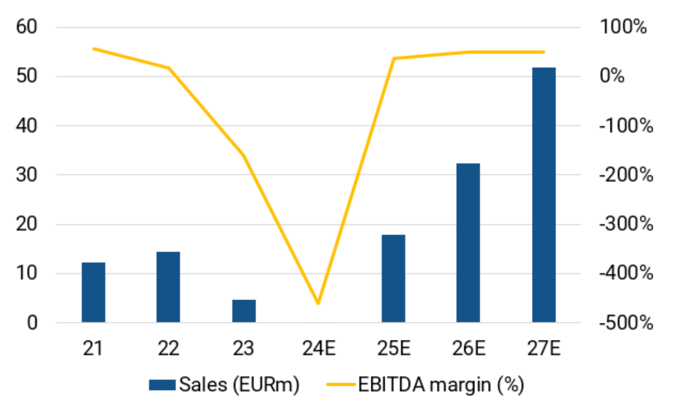
**Risk – Daily Returns Distribution (trailing 3 years)**



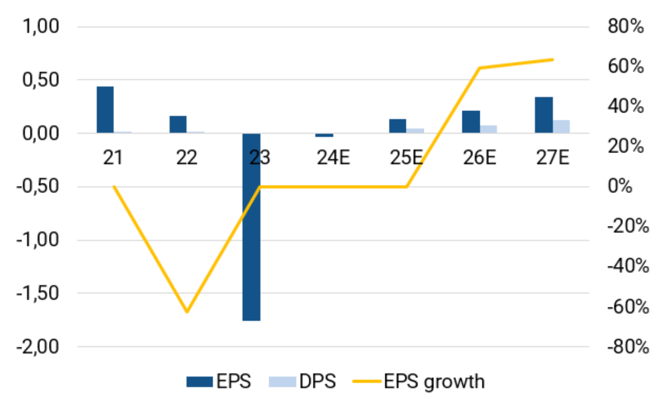

Source: FactSet, mwb research

# Financials in six charts

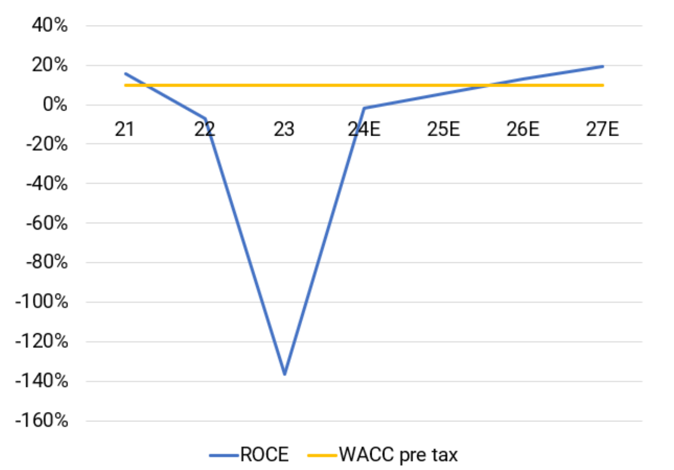
**Sales vs. EBITDA margin development**



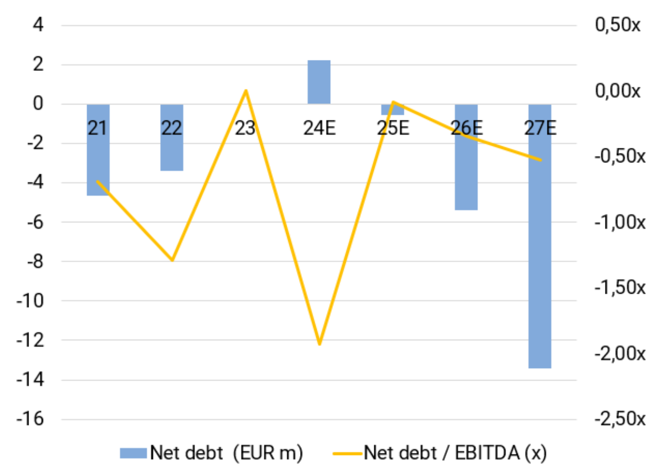

**EPS, DPS in EUR & yoy EPS growth**



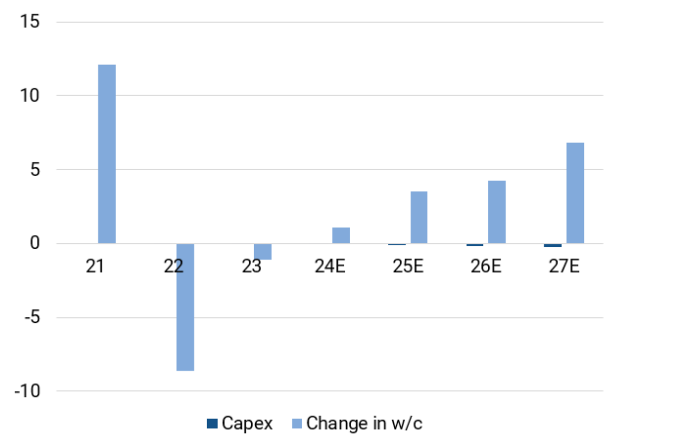

**ROCE vs. WACC (pre tax)**



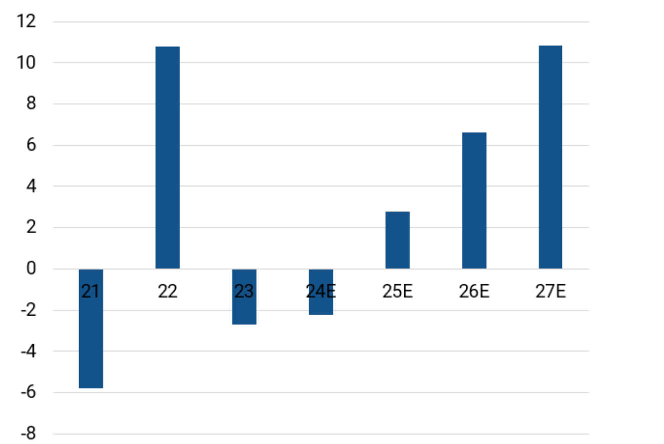

**Net debt and net debt/EBITDA**




**Capex & chgn in w/c requirements in EURm**




**Free Cash Flow in EURm**




Source: Company data; mwb research

# Financials

| Profit and loss (EURm) | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **Net sales** | **14.4** | **4.8** | **0.3** | **17.8** | **32.4** | **51.8** |
| Sales growth | 18.4% | -66.7% | -94.8% | 7,020.0% | 82.0% | 60.0% |
| Change in finished goods and work-in-process | -3.5 | -4.6 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total sales** | **10.9** | **0.2** | **0.3** | **17.8** | **32.4** | **51.8** |
| Material expenses | 3.9 | 0.0 | 0.0 | 5.3 | 9.7 | 15.6 |
| **Gross profit** | **7.0** | **0.2** | **0.3** | **12.5** | **22.7** | **36.3** |
| Other operating income | 0.8 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Personnel expenses | 0.8 | 1.0 | 0.9 | 3.6 | 3.6 | 5.4 |
| Other operating expenses | 4.4 | 7.4 | 0.5 | 2.5 | 3.2 | 5.2 |
| **EBITDA** | **2.6** | **-7.7** | **-1.1** | **6.4** | **15.8** | **25.7** |
| Depreciation | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| EBITA | 2.6 | -7.7 | -1.1 | 6.4 | 15.8 | 25.7 |
| Amortisation of goodwill and intangible assets | 7.9 | 74.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| **EBIT** | **-5.3** | **-82.5** | **-1.1** | **6.4** | **15.8** | **25.7** |
| Financial result | 12.0 | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Recurring pretax income from continuing operations | 6.7 | -82.0 | -1.1 | 6.4 | 15.8 | 25.7 |
| Extraordinary income/loss | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Earnings before taxes | 6.7 | -82.0 | -1.1 | 6.4 | 15.8 | 25.7 |
| Taxes | -0.1 | -0.4 | 0.0 | 0.0 | 4.7 | 7.7 |
| Net income from continuing operations | 6.9 | -81.5 | -1.1 | 6.4 | 11.1 | 18.0 |
| Result from discontinued operations (net of tax) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Net income** | **6.9** | **-81.5** | **-1.1** | **6.4** | **11.1** | **18.0** |
| Minority interest | 0.0 | 0.0 | 0.0 | -1.3 | -3.0 | -4.7 |
| Net profit (reported) | 6.9 | -81.5 | -1.1 | 5.1 | 8.1 | 13.2 |
| Average number of shares | 41.74 | 46.30 | 38.65 | 38.65 | 38.65 | 38.65 |
| **EPS reported** | **0.16** | **-1.76** | **-0.03** | **0.13** | **0.21** | **0.34** |

| Profit and loss (common size) | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **Net sales** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |
| Change in finished goods and work-in-process | -24% | -95% | 0% | 0% | 0% | 0% |
| **Total sales** | **76%** | **5%** | **100%** | **100%** | **100%** | **100%** |
| Material expenses | 27% | 0% | 0% | 30% | 30% | 30% |
| **Gross profit** | **48%** | **5%** | **100%** | **70%** | **70%** | **70%** |
| Other operating income | 6% | 11% | 0% | 0% | 0% | 0% |
| Personnel expenses | 5% | 22% | 360% | 20% | 11% | 11% |
| Other operating expenses | 31% | 154% | 200% | 14% | 10% | 10% |
| **EBITDA** | **18%** | **-160%** | **-460%** | **36%** | **49%** | **49%** |
| Depreciation | 0% | 0% | 0% | 0% | 0% | 0% |
| EBITA | 18% | -160% | -460% | 36% | 49% | 49% |
| Amortisation of goodwill and intangible assets | 55% | 1,561% | 0% | 0% | 0% | 0% |
| **EBIT** | **-37%** | **-1,721%** | **-460%** | **36%** | **49%** | **49%** |
| Financial result | 83% | 11% | 0% | 0% | 0% | 0% |
| Recurring pretax income from continuing operations | 47% | -1,710% | -460% | 36% | 49% | 49% |
| Extraordinary income/loss | 0% | 0% | 0% | 0% | 0% | 0% |
| Earnings before taxes | 47% | -1,710% | -460% | 36% | 49% | 49% |
| Taxes | -1% | -9% | 0% | 0% | 15% | 15% |
| Net income from continuing operations | 48% | -1,701% | -460% | 36% | 34% | 35% |
| Result from discontinued operations (net of tax) | 0% | 0% | 0% | 0% | 0% | 0% |
| **Net income** | **48%** | **-1,701%** | **-460%** | **36%** | **34%** | **35%** |
| Minority interest | 0% | 0% | 0% | -7% | -9% | -9% |
| **Net profit (reported)** | **48%** | **-1,701%** | **-460%** | **29%** | **25%** | **26%** |

Source: Company data; mwb research

| Balance sheet (EURm) | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **Intangible assets (exl. Goodwill)** | **2.5** | **0.0** | **0.0** | **0.1** | **0.3** | **0.5** |
| Goodwill | 72.2 | 0.0 | 92.5 | 92.5 | 92.5 | 92.5 |
| Property, plant and equipment | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Financial assets | 22.7 | 17.4 | 17.4 | 17.4 | 17.4 | 17.4 |
| **FIXED ASSETS** | **97.6** | **17.6** | **110.1** | **110.2** | **110.3** | **110.6** |
| Inventories | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Accounts receivable | 1.7 | 1.1 | 0.1 | 6.3 | 12.9 | 22.7 |
| Other current assets | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 | 0.2 |
| Liquid assets | 6.1 | 1.6 | -0.2 | 2.6 | 6.4 | 14.4 |
| Deferred taxes | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Deferred charges and prepaid expenses | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **CURRENT ASSETS** | **8.2** | **3.1** | **0.2** | **9.3** | **19.6** | **37.5** |
| **TOTAL ASSETS** | **105.8** | **20.7** | **110.3** | **119.4** | **130.0** | **148.1** |
| **SHAREHOLDERS EQUITY** | **99.4** | **16.9** | **85.1** | **91.6** | **100.8** | **116.0** |
| MINORITY INTEREST | 0.0 | 0.0 | 23.1 | 23.1 | 23.1 | 23.1 |
| Long-term debt | 2.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Provisions for pensions and similar obligations | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other provisions | 0.5 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Non-current liabilities** | **2.5** | **0.0** | **0.0** | **0.0** | **0.0** | **0.0** |
| short-term liabilities to banks | 0.7 | 1.6 | 2.0 | 2.0 | 1.0 | 1.0 |
| Accounts payable | 1.4 | 1.4 | 0.0 | 2.0 | 3.6 | 5.7 |
| Advance payments received on orders | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other liabilities (incl. from lease and rental contracts) | 0.6 | 0.8 | 0.0 | 0.8 | 1.4 | 2.3 |
| Deferred taxes | 1.2 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Deferred income | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Current liabilities** | **4.0** | **3.8** | **2.0** | **4.7** | **6.0** | **9.0** |
| **TOTAL LIABILITIES AND SHAREHOLDERS EQUITY** | **105.8** | **20.7** | **110.3** | **119.4** | **130.0** | **148.1** |

| Balance sheet (common size) | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **Intangible assets (excl. Goodwill)** | **2%** | **0%** | **0%** | **0%** | **0%** | **0%** |
| Goodwill | 68% | 0% | 84% | 77% | 71% | 62% |
| Property, plant and equipment | 0% | 1% | 0% | 0% | 0% | 0% |
| Financial assets | 21% | 84% | 16% | 15% | 13% | 12% |
| **FIXED ASSETS** | **92%** | **85%** | **100%** | **92%** | **85%** | **75%** |
| Inventories | 0% | 0% | 0% | 0% | 0% | 0% |
| Accounts receivable | 2% | 6% | 0% | 5% | 10% | 15% |
| Other current assets | 0% | 1% | 0% | 0% | 0% | 0% |
| Liquid assets | 6% | 8% | -0% | 2% | 5% | 10% |
| Deferred taxes | 0% | 1% | 0% | 0% | 0% | 0% |
| Deferred charges and prepaid expenses | 0% | 0% | 0% | 0% | 0% | 0% |
| **CURRENT ASSETS** | **8%** | **15%** | **0%** | **8%** | **15%** | **25%** |
| **TOTAL ASSETS** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |
| **SHAREHOLDERS EQUITY** | **94%** | **82%** | **77%** | **77%** | **78%** | **78%** |
| MINORITY INTEREST | 0% | 0% | 21% | 19% | 18% | 16% |
| Long-term debt | 2% | 0% | 0% | 0% | 0% | 0% |
| Provisions for pensions and similar obligations | 0% | 0% | 0% | 0% | 0% | 0% |
| Other provisions | 0% | 0% | 0% | 0% | 0% | 0% |
| **Non-current liabilities** | **2%** | **0%** | **0%** | **0%** | **0%** | **0%** |
| short-term liabilities to banks | 1% | 8% | 2% | 2% | 1% | 1% |
| Accounts payable | 1% | 7% | 0% | 2% | 3% | 4% |
| Advance payments received on orders | 0% | 0% | 0% | 0% | 0% | 0% |
| Other liabilities (incl. from lease and rental contracts) | 1% | 4% | 0% | 1% | 1% | 2% |
| Deferred taxes | 1% | 0% | 0% | 0% | 0% | 0% |
| Deferred income | 0% | 0% | 0% | 0% | 0% | 0% |
| **Current liabilities** | **4%** | **18%** | **2%** | **4%** | **5%** | **6%** |
| **TOTAL LIABILITIES AND SHAREHOLDERS EQUITY** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

Source: Company data; mwb research

| Cash flow statement (EURm) | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| Net profit/loss | 6.9 | -81.5 | -1.1 | 6.4 | 11.1 | 18.0 |
| Depreciation of fixed assets (incl. leases) | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of goodwill | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Amortisation of intangible assets | 0.0 | 0.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Others | -4.7 | 77.3 | 0.0 | 0.0 | 0.0 | 0.0 |
| Cash flow from operations before changes in w/c | 2.2 | -3.8 | -1.1 | 6.4 | 11.1 | 18.0 |
| Increase/decrease in inventory | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Increase/decrease in accounts receivable | 0.0 | 0.0 | 1.1 | -6.3 | -6.5 | -9.9 |
| Increase/decrease in accounts payable | 4.1 | -0.3 | -1.4 | 2.0 | 1.6 | 2.1 |
| Increase/decrease in other w/c positions | 4.6 | 1.4 | -0.8 | 0.8 | 0.6 | 0.9 |
| Increase/decrease in working capital | 8.6 | 1.1 | -1.1 | -3.5 | -4.3 | -6.9 |
| **Cash flow from operating activities** | **10.8** | **-2.7** | **-2.2** | **2.9** | **6.8** | **11.1** |
| CAPEX | -0.0 | -0.0 | -0.0 | -0.1 | -0.2 | -0.3 |
| Payments for acquisitions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Financial investments | -2.3 | 4.2 | 0.0 | 0.0 | 0.0 | 0.0 |
| Income from asset disposals | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Cash flow from investing activities** | **-2.4** | **4.2** | **-0.0** | **-0.1** | **-0.2** | **-0.3** |
| Cash flow before financing | 8.4 | 1.5 | -2.2 | 2.8 | 6.6 | 10.8 |
| Increase/decrease in debt position | 0.0 | 0.0 | 0.4 | 0.0 | -1.0 | 0.0 |
| Purchase of own shares | -7.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Capital measures | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends paid | -1.0 | -0.9 | 0.0 | 0.0 | -1.8 | -2.8 |
| Others | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Effects of exchange rate changes on cash | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Cash flow from financing activities** | **-8.0** | **-0.9** | **0.4** | **0.0** | **-2.8** | **-2.8** |
| Increase/decrease in liquid assets | 0.4 | 0.6 | -1.8 | 2.8 | 3.8 | 8.0 |
| **Liquid assets at end of period** | **0.8** | **1.3** | **-0.6** | **2.2** | **6.1** | **14.1** |

Source: Company data; mwb research

| Regional sales split (EURm) | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| Domestic | 14.4 | 4.8 | 0.3 | 17.8 | 32.4 | 51.8 |
| Europe (ex domestic) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| The Americas | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Asia | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Rest of World | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| **Total sales** | **14.4** | **4.8** | **0.3** | **17.8** | **32.4** | **51.8** |

| Regional sales split (common size) | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| Domestic | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Europe (ex domestic) | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| The Americas | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Asia | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| Rest of World | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **Total sales** | **100%** | **100%** | **100%** | **100%** | **100%** | **100%** |

Source: Company data; mwb research

| Ratios | 2022 | 2023 | 2024E | 2025E | 2026E | 2027E |
|---|---|---|---|---|---|---|
| **Per share data** | | | | | | |
| Earnings per share reported | 0.16 | -1.76 | -0.03 | 0.13 | 0.21 | 0.34 |
| Cash flow per share | 0.26 | -0.06 | -0.06 | 0.07 | 0.18 | 0.29 |
| Book value per share | 2.38 | 0.37 | 2.20 | 2.37 | 2.61 | 3.00 |
| Dividend per share | 0.02 | 0.00 | 0.00 | 0.05 | 0.07 | 0.12 |
| **Valuation** | | | | | | |
| P/E | 6.5x | -0.6x | -35.6x | 8.1x | 5.1x | 3.1x |
| P/CF | 4.1x | -18.2x | -18.3x | 14.3x | 6.0x | 3.7x |
| P/BV | 0.4x | 2.9x | 0.5x | 0.4x | 0.4x | 0.4x |
| Dividend yield (%) | 1.9% | 0.0% | 0.0% | 4.3% | 6.9% | 11.3% |
| FCF yield (%) | 24.4% | -5.5% | -5.5% | 7.0% | 16.6% | 27.1% |
| EV/Sales | 2.6x | 8.5x | 172.8x | 2.3x | 1.1x | 0.5x |
| EV/EBITDA | 14.4x | -5.3x | -37.6x | 6.3x | 2.2x | 1.1x |
| EV/EBIT | -7.1x | -0.5x | -37.6x | 6.3x | 2.2x | 1.1x |
| **Income statement (EURm)** | | | | | | |
| Sales | 14.4 | 4.8 | 0.3 | 17.8 | 32.4 | 51.8 |
| yoy chg in % | 18.4% | -66.7% | -94.8% | 7,020.0% | 82.0% | 60.0% |
| Gross profit | 7.0 | 0.2 | 0.3 | 12.5 | 22.7 | 36.3 |
| Gross margin in % | 48.3% | 4.7% | 100.0% | 70.0% | 70.0% | 70.0% |
| EBITDA | 2.6 | -7.7 | -1.1 | 6.4 | 15.8 | 25.7 |
| EBITDA margin in % | 18.1% | -160.0% | -460.0% | 36.0% | 48.8% | 49.5% |
| EBIT | -5.3 | -82.5 | -1.1 | 6.4 | 15.8 | 25.7 |
| EBIT margin in % | -36.9% | -1,721.1% | -460.0% | 36.0% | 48.8% | 49.5% |
| Net profit | 6.9 | -81.5 | -1.1 | 5.1 | 8.1 | 13.2 |
| **Cash flow statement (EURm)** | | | | | | |
| CF from operations | 10.8 | -2.7 | -2.2 | 2.9 | 6.8 | 11.1 |
| Capex | -0.0 | -0.0 | -0.0 | -0.1 | -0.2 | -0.3 |
| Maintenance Capex | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Free cash flow | 10.8 | -2.7 | -2.2 | 2.8 | 6.6 | 10.8 |
| **Balance sheet (EURm)** | | | | | | |
| Intangible assets | 74.7 | 0.0 | 92.5 | 92.6 | 92.8 | 93.0 |
| Tangible assets | 0.2 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Shareholders' equity | 99.4 | 16.9 | 85.1 | 91.6 | 100.8 | 116.0 |
| Pension provisions | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Liabilities and provisions | 3.2 | 1.6 | 2.0 | 2.0 | 1.0 | 1.0 |
| Net financial debt | -3.4 | -0.0 | 2.2 | -0.6 | -5.4 | -13.4 |
| w/c requirements | 0.3 | -0.2 | 0.1 | 4.4 | 9.3 | 17.0 |
| **Ratios** | | | | | | |
| ROE | 6.9% | -481.7% | -1.4% | 7.0% | 11.0% | 15.5% |
| ROCE | -5.2% | -445.3% | -1.0% | 5.5% | 12.7% | 18.3% |
| Net gearing | -3.4% | -0.1% | 2.6% | -0.6% | -5.4% | -11.6% |
| Net debt / EBITDA | -1.3x | 0.0x | -1.9x | -0.1x | -0.3x | -0.5x |

Source: Company data; mwb research

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| Company | Disclosure |
|---|---|
| The Payments Group Holding | 2, 8 |

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