S&P Global Ratings

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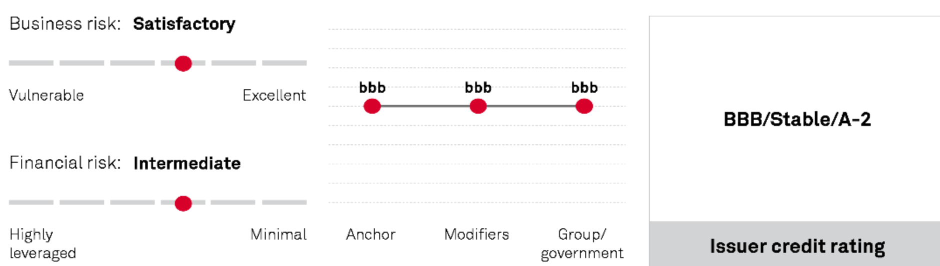
Worldline S.A.

November 17, 2022

Ratings Score Snapshot



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Credit Highlights

Overview

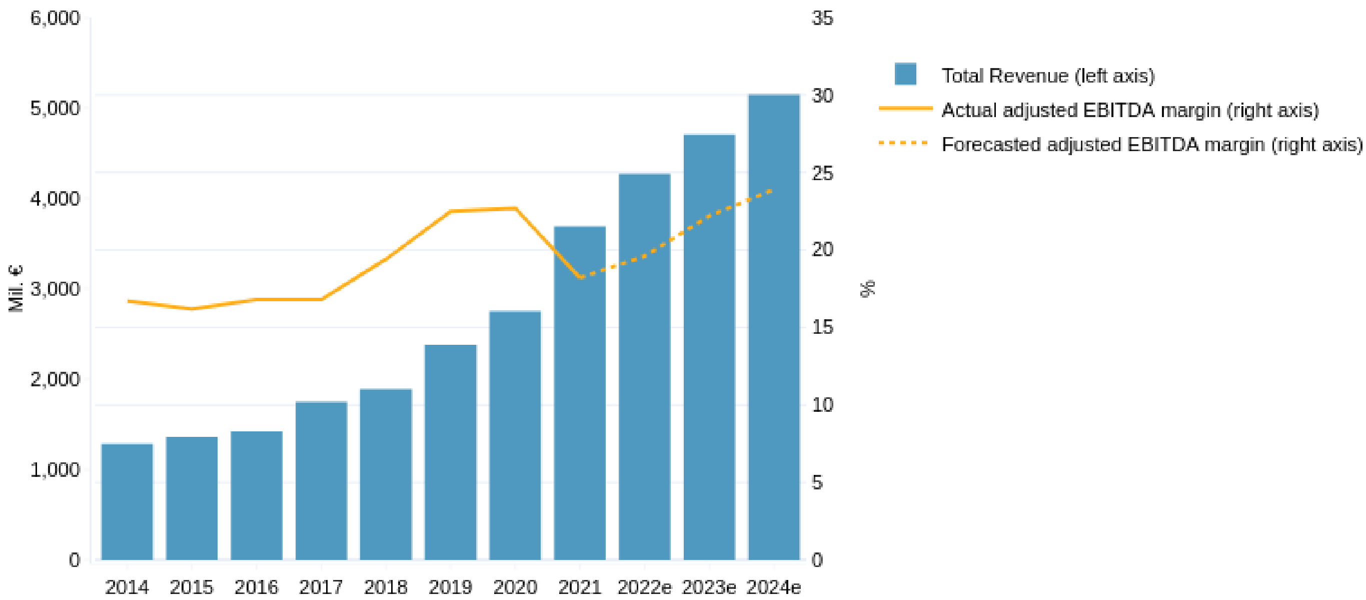
Key strengths	Key risks
One of Europe's largest payment processors with 2022 revenue of about €4.3 billion.	Strong competition from established payment processors and new competitors.
Diversification by geography with operations in more than 50 countries (though more than 90% of revenues generated in Europe), and by products covering the entire payment value chain.	Appetite for debt-financed acquisitions leading to adjusted leverage temporarily above our 2.5x threshold for the current rating.
Solid track record of growth organically and through acquisitions, resulting in a gradually larger scale (revenues have multiplied by four since Worldline IPO in 2014) and rising profitability.	Technology and cyber risks, although these are well managed by Worldline notably through its own intellectual property and Research and Development (R&D) capabilities.
Stable and predictable earnings and cash flow, with 2022 reported free operating cash flow (FOCF) of about €500 million.	

Worldline is well positioned to maintain solid organic revenue growth in the coming years. We expect organic revenue growth of about 10% annually (after 11.7% in the first nine months of 2022) supported by long-term industry growth drivers and Worldline's own strategy. The underlying demand for payment processing will continue to benefit from the shift in cash to non-cash transactions and banks' increasing willingness to outsource, which has been supported by regulation including PSD2. Worldline is also well positioned in the payment industry, in our view, thanks to its broad geographic diversification, comprehensive product portfolio covering the full value chain, its own intellectual property and investments in new technologies, and long-term relationships with customers. Furthermore, it is entering partnerships with banks to accelerate growth by attracting new merchants as customers.

As a result, we think Worldline's operations are mission critical to its customers and therefore somewhat resilient to economic cycles. However, its revenues are not immune to the economic environment. For instance, Worldline's organic revenue declined by 4.6% in 2020 following GDP contraction and lockdowns, before rebounding by 6.8% in 2021. This is because a large portion of its revenues is linked to transaction volumes processed by merchants, while revenues within Financial Services are more stable. As a result, organic revenue growth could be temporarily lower in 2023 if the economic slowdown weighs on consumer spending, but we still expect growth in the high single digits.

Worldline has been an active consolidator of the payments industry, resulting in gradually larger scale and higher margins. Since 2016, Worldline has acquired Equens (2016), Digital River World Payments and First Data Baltics (2017), Six Payment Services (SPS; 2018), Ingenico (2020), Cardlink and Handelsbanken Card Acquiring (2021), and Axepta, ANZ commercial acquiring and Eurobank in 2022. Acquisitions have been an important pillar of Worldline's strategy of accelerating growth, establishing positions in new markets, and enlarging scale. Scale is an important differentiating factor because it gives Worldline more flexibility to invest in new technologies, be price competitive, and attract large customers operating in many countries. Worldline has been successful in integrating the companies acquired with full cost synergies typically reached within four years after an acquisition closes. As a result, Worldline's reported margin has been gradually improving. However, the effect on its S&P Global Ratings-adjusted EBITDA margin has been modest so far because our EBITDA includes restructuring and integration costs. The integration of Ingenico, by far Worldline's largest acquisition to date, coupled with the divestment of TSS (Terminal, Solutions and Services) in 2022, has resulted in high integration costs in 2021 and 2022, temporary pausing its growing profitability. However, as those costs gradually decrease, in the absence of further large acquisitions we expect margin improvement will accelerate in the coming years.

Considerable Scale Enhancement And Improving Margin Trajectory Through Successful Integrations



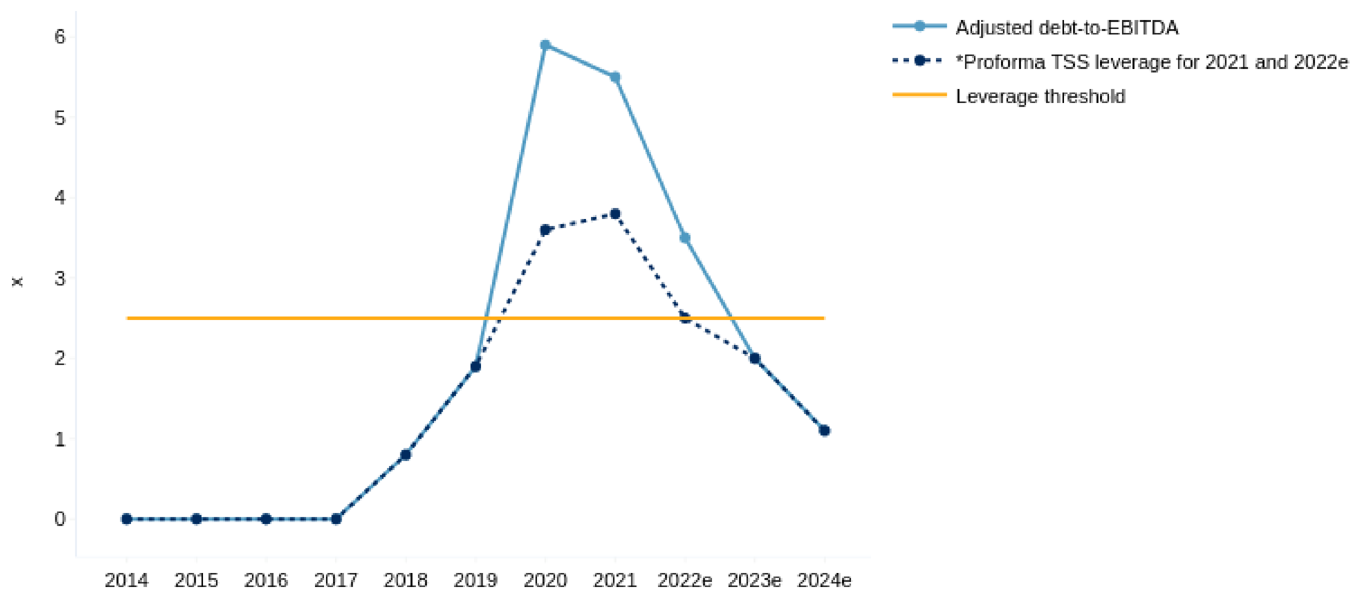
e--Estimate. Source: S&P Global Ratings.

Growing FOCF supports deleveraging in line with Worldline's financial policy. Worldline's resilient business model, coupled with high FOCF conversion at 40%-50% of EBITDA, results in solid FOCF (about €500 million in 2022 and growing further still in the years following). Therefore, it has the capacity to deleverage rapidly. Leverage peaked in October 2020 following the Ingenico acquisition, and we initially forecasted its S&P Global Ratings-adjusted leverage to return to below 2.5x within two years, which is our maximum rating threshold for the current rating level. However, the deleveraging trajectory has been a bit slower than anticipated as Worldline spent about €1.2 billion in additional acquisitions in 2021 and 2022, leading us to forecast its S&P Global Ratings-adjusted leverage at 3.5x at year-end 2022. That said, we have calculated pro forma leverage over 2020-2022 (2.5x in 2022), based on the Ingenico acquisition and the TSS divestment:

- For EBITDA, we have included TSS' estimated EBITDA in 2021 and until Sept. 30, 2022. Because TSS revenues and EBITDA are excluded from Worldline's 2021 and 2022 accounts (TSS has been accounted as discontinued operation), Worldline's reported numbers in 2021 and 2022 underestimate EBITDA and overestimate leverage in our view.
- For adjusted debt at the end of 2022, we also include cash proceeds of €350 million to be received on Jan. 1, 2023. Worldline's divestment of its payment terminal business TSS is in two steps, with 85% already sold in October 2022 for €1.05 billion.
- Additionally, our pro forma 2020 leverage includes Ingenico's consolidation for the full year instead of two months.

For 2023-2024, we expect leverage to be maintained below 2.5x. The company's financial policy targets a leverage ratio of 1.5x-2.5x, translating into S&P Global Ratings-adjusted debt to EBITDA of about 2.0x-3.0x, and we expect adjusted leverage at the low end of the range as no dividends have been paid out so far (despite Worldline's dividend policy to distribute dividends representing approximately 25% of its consolidated net income). In our view, this shows the company's commitment to deleveraging.

Worldline's Deleveraging Trajectory Will Continue, Despite Being Somewhat Slowed By On-Going Acquisitions



*proforma leverage including TSS in 2021 and until Sept 2022, and cash proceeds of €350 million included in 2022 leverage calculation. e--Estimate. Source

Our leverage estimate for 2023 and 2024 does not include two offsetting factors:

- Additional M&A. We expect Worldline will continue to actively participate in market consolidation. That said, its gradually larger scale will give it more flexibility to protect ratios, minimizing the impact from new acquisitions.
- Preferred shares in TSS. From Jan. 1, 2023, Worldline will have no more ownership in TSS but it will hold preferred shares in TSS. Those could result in additional proceeds of €600 million-€900 million (equivalent to up to 0.6x to 0.9x turns of leverage), depending on TSS' future performance, at the time when Apollo, the new owner of TSS, would sell its stake in TSS. However, we do not include the value of the preferred shares in our leverage calculation for Worldline as the timing of the transaction, and the amount to be received, are uncertain.

Outlook

The stable outlook on Worldline reflects our anticipation of its continued integration of acquisitions, organic revenue growth of at least 5%, and gradual profitability and FOCF improvement. This, along with our expectation that management will remain committed to its leverage target of 1.5x-2.5x, should result in S&P Global Ratings-adjusted debt to EBITDA staying below 2.

Downside scenario

We could lower our rating if the company's leverage stays sustainably above 2.5x. This could occur if it makes large additional debt-funded acquisitions, or experiences operational missteps.

Upside scenario

Rating upside is limited, given the company's financial policy and M&A appetite. However, we could upgrade Worldline if we expect its adjusted debt to EBITDA to remain sustainably below 1.5x.

Our Base-Case Scenario

Assumptions

- GDP growth of 3.1% growth in the eurozone in 2022, followed by 0.3% growth in 2023.
- Organic revenue growth by about 10% annually, potentially less in 2023 in line with lower GDP. Reported revenue growth of about 15% in 2022, and at least 10% in following years, incorporating consolidation of recent acquisitions.
- Gradual profitability improvements supported by annual synergies from acquisitions of about €50 million and operating leverage from accelerated revenue expansion primarily in Merchant Services.
- Capital expenditure in the 5%-7% range.
- Acquisition cash outlay of about €800 million in 2022, no acquisitions incorporated in our base case in following years.
- No dividends, in line with previous years.
- TSS proceeds: 85% in October 2022 for €1.05 billion, and 15% on Jan. 1, 2023, for €0.35 billion.

Key metrics

Company Name--Key Metrics*

Mil. €	2020a	2021a	2022e	2023f	2024f
Revenue	2,747.8	3,689.4	4,000-4,500	4,500-5,000	5,000-5,500
Revenue growth (%)	15.4	34.3	14-17	7-11	8-12
EBITDA	624.3	672.7	800-850	1,000.0-1,100.0	1,200.0-1,300.0
EBITDA margin (%)	22.7	18.2	~19.5	~22.0	~24.0
Free operating cash flow (FOCF)	352.3	497.1	500-520	600.0-650.0	720.0-800.0
Debt	3,712.6	3,676.0	~3,000	~2,000	1,000-1,500
Debt to EBITDA (x)	5.9	5.5	~3.5 **	~2.0	1.0-1.2
FFO to debt (%)	14.2	14.4	23.5-24.0	>40	>60
FOCF to debt (%)	9.5	13.5	17.0-17.5	>30	>50

*All figures adjusted by S&P Global Ratings. **2.5x when adding TSS' EBITDA estimate and cash proceeds received on Jan. 1, 2023. a--Actual. e--Estimate. f--Forecast.

Company Description

Worldline is the leading provider of payment services in Europe. Its 2021 revenue was €3.7 billion (excluding TSS). Worldline's business lines are as follows:

- Merchant Services (65% of 2021 revenue) offers merchants payment-related and value-added services, including in-store, online, and mobile payment acceptance solutions, and data analytics and private label card and loyalty services.
- Financial Services (25%) delivers solutions that allow banks and financial institutions to outsource some or all of their key business processes, such as issuance of credit and debit cards and authorization of associated payments, processing of noncard electronic payment transactions, and offering multi-platform online banking services (including online bank electronic payments).
- Mobility & e-Transactional Services (10%) provides services to address the needs of private- and public-sector clients, like e-government collection services, e-ticketing, e-consumer, and mobility solutions.

Peer Comparison

Worldline SA--Peer Comparisons

	Worldline S.A.	Global Payments Inc.	Fidelity National Information Services Inc.	Fiserv Inc.
Foreign currency issuer credit rating	BBB/Stable/A-2	BBB-/Stable/--	BBB/Stable/A-2	BBB/Stable/A-2
Local currency issuer credit rating	BBB/Stable/A-2	BBB-/Stable/--	BBB/Stable/A-2	BBB/Stable/A-2
Period	Annual	Annual	Annual	Annual
Period ending	2021-12-31	2021-12-31	2021-12-31	2021-12-31
Mil.	EUR	EUR	EUR	EUR
Revenue	3,689	7,495	12,201	14,291
EBITDA	673	3,428	5,664	5,553
Funds from operations (FFO)	529	2,836	4,766	4,382
Interest	50	312	205	628
Cash interest paid	29	332	512	586
Operating cash flow (OCF)	610	2,564	4,289	3,674
Capital expenditure	112	434	1,100	1,020
Free operating cash flow (FOCF)	497	2,130	3,189	2,654
Discretionary cash flow (DCF)	476	(406)	485	149

Worldline SA--Peer Comparisons

Cash and short-term investments	1,126	758	1,767	734
Gross available cash	1,126	758	1,767	734
Debt	3,676	10,349	17,074	18,922
Equity	9,915	22,746	41,793	28,092
EBITDA margin (%)	18.2	45.7	46.4	38.9
Return on capital (%)	1.4	5.1	2.8	5.3
EBITDA interest coverage (x)	13.6	11.0	27.7	8.8
FFO cash interest coverage (x)	19.2	9.5	10.3	8.5
Debt/EBITDA (x)	5.5	3.0	3.0	3.4
FFO/debt (%)	14.4	27.4	27.9	23.2
OCF/debt (%)	16.6	24.8	25.1	19.4
FOCF/debt (%)	13.5	20.6	18.7	14.0
DCF/debt (%)	12.9	(3.9)	2.8	0.8

Business Risk

Our assessment of the company's business risk incorporates its leading position in the European payments market, its high proportion of recurrent revenue and strong cash flow, its good diversification, and sound growth opportunities.

Worldline ranks as one of the largest payment services providers in Europe. In Europe, it holds the No. 1 position in financial processing and commercial acquiring, and is No. 3 in online payment solutions. Globally, Worldline is the No. 4 payment-service provider, well behind No. 1 Fiserv and No. 2 Fidelity National Information Services but quite close to No. 3 Global Payments Inc. In Europe, it competes with Nexi and with local players.

Worldline benefits from very low customer turnover among banks and merchants, given high barriers to entry, which results in predictable revenue and cash flows.

Worldline's revenue is highly recurrent and comes from a diversified customer base (with the largest customer representing less than 2% of revenue, and the top 10 customers representing less than 12%). Customer turnover is very low among banks and merchants, given high barriers to entry, which results in predictable revenue and cash flows. In Financial Services, Worldline benefits from long-term contracts with customers, and we understand the renewal rate is close to 100%, due to the critical role Worldline's solutions play for its bank clients. In the Merchant Services segment, Worldline also demonstrates an impressive renewal rate of above 90%. Customer turnover is somewhat higher in the Mobility & e-Transactional Services division, but still relatively modest and Worldline has traditionally enjoyed strong renewal rates from governments in this segment.

Another strength is Worldline's product, customer, and geographic diversification. It has a broad range of products and services, which covers the entire payments infrastructure including issuer and acquirer processing, commercial acquiring, and services to issuers and merchants, including payment terminals and online payments. It has a diverse customer base of more than 1 million merchants, 1,500 banks, and 350 large customers namely governments and companies operating in specific industries, including transport, telecommunications, and media. Worldline is also present in more than 50 countries, although it generates most of its revenue in Europe. We expect underlying demand for Worldline's solutions will likely be strong in the coming years, given the continued shift to noncash payment transactions. This will be helped by somewhat low penetration of noncash payments in countries where Worldline currently operates (including Germany, France, and Belgium), and banks' increasing willingness to outsource. Regulation (Payment Services Directive PSD2, instant payment, and lower interchange fees) is also driving banks to outsource more. We think Worldline's investments in its own IT platforms and software provide additional differentiation.

These strengths are offset by competition from a large number of European and American payment processing providers given the market's highly fragmented structure, and from new emerging players. Other weaknesses include limited, albeit growing, leading positions in a still-fragmented European payments market, apart from specific segments in certain countries; and the group's exposure to evolving technology and cyber risks such as security breaches.

Financial Risk

Worldline's financial risk profile reflects leverage staying sustainably below 2.5x over time (despite some temporary spikes to more than 3x following acquisitions), supported by its public financial policy, and solid and growing FOCF. Leverage remained above 3x after the Ingenico acquisition, but gradually declined and will be at about 2x in 2023. This is supported by growing discretionary cash flows, with no cash used so far to pay dividends or repurchase stock.

Debt maturities

As of June 30, 2022 (€ millions)

- Fiscal 2023: 500
- Fiscal 2024: 1,100
- Fiscal 2025: 655
- Fiscal 2026: 800
- Fiscal 2027: 500

Total: 3,555

Worldline SA--Financial Summary

Period ending	Dec-31-2016	Dec-31-2017	Dec-31-2018	Dec-31-2019	Dec-31-2020	Dec-31-2021
Reporting period	2016a	2017a	2018a	2019a	2020a	2021a
Display currency (mil.)	EUR	EUR	EUR	EUR	EUR	EUR
Revenues	1,419	1,749	1,888	2,382	2,748	3,689
EBITDA	239	294	366	535	624	673
Funds from operations (FFO)	194	243	308	472	528	529
Interest expense	16	13	34	20	38	50
Cash interest paid	6	6	8	6	4	29
Operating cash flow (OCF)	229	286	329	421	502	610
Capital expenditure	74	95	106	114	149	112
Free operating cash flow (FOCF)	154	192	224	307	352	497
Discretionary cash flow (DCF)	154	192	172	296	348	476
Cash and short-term investments	425	356	213	501	1,381	1,126
Gross available cash	425	356	213	501	1,381	1,126
Debt	0	0	276	1,018	3,713	3,676
Common equity	1,292	1,426	3,808	3,221	10,385	9,915
Adjusted ratios						
EBITDA margin (%)	16.8	16.8	19.4	22.5	22.7	18.2

Worldline SA--Financial Summary

Return on capital (%)	16.7	13.7	8.1	10.8	3.5	1.4
EBITDA interest coverage (x)	14.7	23.2	10.9	27.3	16.6	13.6
FFO cash interest coverage (x)	32.5	39.2	39.2	86.8	143.6	19.2
Debt/EBITDA (x)	0.0	0.0	0.8	1.9	5.9	5.5
FFO/debt (%)	NM	NM	111.5	46.4	14.2	14.4
OCF/debt (%)	NM	NM	119.3	41.4	13.5	16.6
FOCF/debt (%)	NM	NM	81.1	30.2	9.5	13.5
DCF/debt (%)	NM	NM	62.3	29.0	9.4	12.9

Reconciliation Of Worldline SA Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
Financial year	Dec-31-2021									
Company reported amounts	4,252	9,044	3,689	735	304	48	673	752	21	226
Cash taxes paid	-	-	-	-	-	-	(114)	-	-	-
Cash interest paid	-	-	-	-	-	-	(29)	-	-	-
Lease liabilities	310	-	-	-	-	-	-	-	-	-
Postretirement benefit obligations/ deferred compensation	190	-	-	(2)	(2)	2	-	-	-	-
Accessible cash and liquid investments	(1,076)	-	-	-	-	-	-	-	-	-
Capitalized development costs	-	-	-	(113)	(113)	-	-	(113)	-	(113)
Share-based compensation expense	-	-	-	45	-	-	-	-	-	-
Nonoperating income (expense)	-	-	-	-	1	-	-	-	-	-
Reclassification of interest and dividend cash flows	-	-	-	-	-	-	-	(29)	-	-
Noncontrolling/ minority interest	-	871	-	-	-	-	-	-	-	-

Reconciliation Of Worldline SA Reported Amounts With S&P Global Adjusted Amounts (Mil. EUR)

	Debt	Shareholder Equity	Revenue	EBITDA	Operating income	Interest expense	S&PGR adjusted EBITDA	Operating cash flow	Dividends	Capital expenditure
EBITDA - Gain/(loss) on disposals of PP&E	-	-	-	8	8	-	-	-	-	-
Total adjustments	(576)	871	-	(62)	(107)	2	(144)	(142)	-	(113)

S&P Global Ratings adjusted	Debt	Equity	Revenue	EBITDA	EBIT	Interest expense	Funds from Operations	Operating cash flow	Dividends	Capital expenditure
	3,676	9,915	3,689	673	198	50	529	610	21	112

Liquidity

We assess Worldline's liquidity as exceptional, based on our estimate that its sources of liquidity will exceed uses by above 2x over the next two years from June 30, 2022. Furthermore, the company is likely to maintain its prudent financial risk management, and we believe Worldline could absorb low probability, high-impact events without refinancing. In addition, the group's net sources are likely to remain positive even if EBITDA declines by 50%, according to our calculations.

Principal liquidity sources

- Cash and cash equivalents of €1.2 billion as of June 30, 2022;
- Revolving credit facilities worth €600 million, maturing in December 2025, and €450 million, maturing in January 2024 (both undrawn);
- Funds from operations of €800 million-€1,200million; and

Expected cash proceeds of €1.4 billion (post-tax) from sale of TSS.

Principal liquidity uses

- Debt maturities of €500 million in 2023;
- Annual capex of about €310million to €360 million; and
- Minimal working capital outflows.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

ESG factors have an overall neutral influence on our credit rating analysis of Worldline. The company is exposed to security breaches and cyber risks, but has developed strong data privacy and security policies, as well as systems to address those risks. It is already carbon neutral, having offset 100% of its scope 1 and 2 CO_2 emissions from its data centers, offices, and business travels. Worldline targets to reduce its scopes 1 and 2 CO_2 emissions by 25% by 2025, from a 2019 base year, which is more than the previous 20% aim. Further, it commits to reduce scope 3 emissions by 7.4% within the same timeframe.

See "Environmental, Social, And Governance Principles In Credit Ratings," published Oct. 10, 2021.

Issue Ratings--Subordination Risk Analysis

Capital structure

Worldline's capital structure includes €1.4 billion of convertible bonds into Worldline shares maturing in 2025 and 2026, and €3.3 billion senior unsecured debt maturing between 2023 and 2027.

Analytical conclusions

We rate all of Worldline's debt 'BBB', the same level as the issuer credit rating. This is because no significant elements of subordination risk are present in the capital structure.

Rating Component Scores

Foreign currency issuer credit rating	**BBB/Stable/A-2**
Local currency issuer credit rating	**BBB/Stable/A-2**
Business risk	**Satisfactory**
Country risk	Low
Industry risk	Intermediate
Competitive position	Satisfactory
Financial risk	**Intermediate**
Cash flow/leverage	Intermediate
Anchor	**bbb**
Diversification/portfolio effect	Neutral (no impact)
Capital structure	Neutral (no impact)
Financial policy	Neutral (no impact)
Liquidity	Exceptional (no impact)
Management and governance	Satisfactory (no impact)
Comparable rating analysis	Neutral (no impact)
Stand-alone credit profile	**bbb**

Related Criteria

- General Criteria: Group Rating Methodology, July 1, 2019
- Criteria | Corporates | General: Reflecting Subordination Risk In Corporate Issue Ratings, March 28, 2018
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017

- Criteria | Corporates | General: Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Criteria | Corporates | General: Corporate Methodology, Nov. 19, 2013
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- General Criteria: Methodology: Management And Governance Credit Factors For Corporate Entities, Nov. 13, 2012
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

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Ratings Detail (as of November 18, 2022)*

Worldline S.A.	
Issuer Credit Rating	BBB/Stable/A-2
Senior Unsecured	BBB
Issuer Credit Ratings History	
31-Jul-2020	BBB/Stable/A-2
04-Sep-2019	BBB/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings credit ratings on the global scale are comparable across countries. S&P Global Ratings credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.