S&P Global
Ratings

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Worldline S.A.

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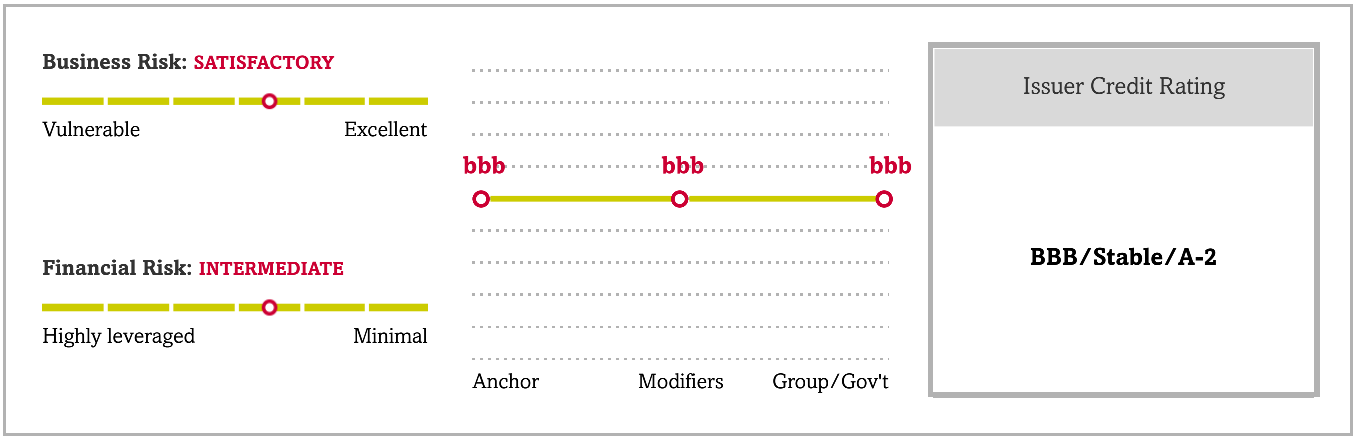


Credit Highlights

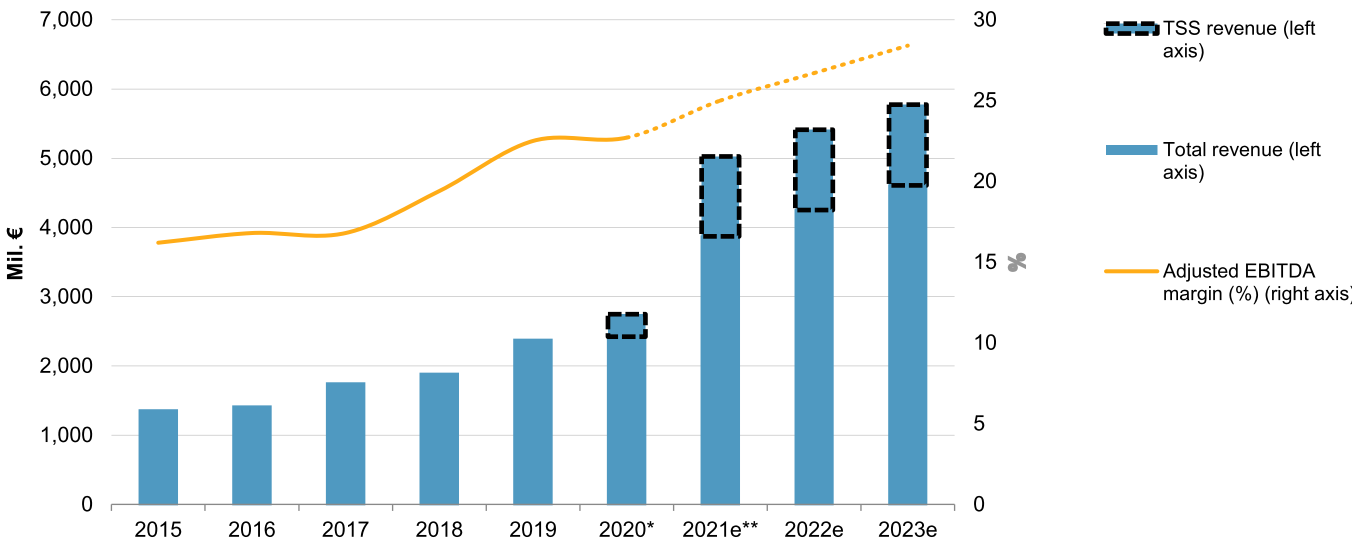
Overview

Key strengths	Key risks
One of Europe's largest payment processors with pro forma 2021 revenue of €3.9 billion.	Strong competition from established payment processors and new competitors.
Diversification by geography with operations in 50 countries (mainly in Europe), and by products covering the entire payment value chain.	Appetite for debt-financed acquisitions that may lead to adjusted leverage temporarily above our 2.5x threshold for the current rating.
Successful track record of integrating acquisitions, resulting in a larger scale and rising profitability.	Technology and cyber risks, although these are well managed by Worldline.
Stable earnings and cash flow, with pro forma 2021 free operating cash flow (FOCF) of €400 million.	

Worldline has a successful track record of integration after several mergers and acquisitions (M&A). Worldline has been an active consolidator of the European payment processing industry since 2016. It has grown through several M&As: of Equens (2016), Digital River World Payments and First Data Baltics (2017), Six Payment Services (SPS; 2018), and Ingenico (acquired in October 2020, hence full impact on reported revenue in 2021). In 2021, Worldline has so far acquired Cardlink in Greece and Handelsbanken Card Acquiring in the Nordics, and is working on closing further acquisitions later in 2021 or early in 2022, including Axepta in Italy and ANZ in Australia.

Worldline' scale has increased significantly, especially after acquiring Ingenico, its largest single deal so far. Scale is important in our view because it allows payment processors to be more cost competitive when approaching new clients. Other benefits include increasing geographic diversification with a presence in 50 countries, a position as one of the European leaders in the sector, increasing profitability with a track record of reaching cost synergies within three to four years after the transaction's close, and a broad product offering. Worldline is planning to divest its payment terminal business, Terminals, Solutions and Services (TSS), most of which was acquired with the acquisition of Ingenico.

Larger Scale And Growing Margins Supported By Acquisitions



e--Estimate. *2020 reported numbers. **2021 pro forma numbers. Source: S&P Global Ratings.

Organic revenue growth is accelerating because industry growth drivers should remain supportive in coming years. We expect organic revenue growth to accelerate to more than 7% in coming quarters, after 4.9% in the first nine months of 2021 (excluding TSS). This is because Worldline continues to benefit from good growth prospects in its Merchant and Financial Services business, driven by the continued shift to noncash payment transactions and banks' increasing willingness to outsource, to some extent supported by regulation. After it caused a negative impact in past quarters, we think COVID-19 could accelerate some of the long-term growth drivers, including a faster drop in cash transactions, and more contactless and e-commerce transactions. Also in Mobility & E-Transactional Services, we think Worldline revenue will be supported by the digitalization of payment on public transportation with increasing demand for electronic ticketing and mobile solutions.

Moreover, COVID-related restrictions are gradually easing. This is after COVID-19 hit topline in particular in the second half of 2020 and the first quarter of 2021, mainly in Merchant Services (given fewer card transactions, for instance in travel and retail) and TSS (due to lockdowns). This was partly offset by growth in e-commerce and stable account payments within Financial Services. Still, we think Worldline's operating performance has been relatively resilient to the pandemic, despite an organic revenue decline of 4.6% in 2020. We expect Worldline's revenue will gradually rebound as restrictions in Europe, such as lockdowns, ease, and volumes of European travels gradually increase.

Worldline is deleveraging as expected, somewhat slowed by the pipeline of on-going acquisitions. From a peak in 2020 following the acquisition of Ingenico (5.9x reported, 3.6x pro forma), we still expect adjusted leverage will return below 2.5x within two years after the Ingenico acquisition. This is supported by the company's financial policy targeting a leverage ratio of 1.5x-2.5x, translating into an S&P Global Ratings-adjusted debt to EBITDA of about 2.0x-3.0x. However, the deleveraging trajectory is somewhat slower than in our previous base case (See "Worldline SA's

Australia And New Zealand Bank Unit Stake Acquisition Will Slow Its Deleveraging Trajectory," Dec. 15, 2020), when we were anticipating adjusted debt to EBITDA to recover to 2.8 in 2021, then strengthen further to 2.0x in 2022. This follows the recently announced acquisitions, and we now expect leverage at 3.1x in 2021 and 2.3x in 2022. Although somewhat slower than our original deleveraging trajectory, it is still within our 2.5x maximum rating threshold, and the additional acquisitions confer benefits of larger scale, increasing geographic expansion, and additional EBITDA and cash flows post-synergies.

Outlook: Stable

The stable outlook on Worldline reflects our anticipation of continued successful integration of acquisitions, organic revenue growth of at least 5%, and gradual profitability improvement over time. 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 returning to below 2.5x in 2022.

Downside scenario

We could lower our rating if the company's deleveraging stalls such that leverage stays sustainably above 2.5x. This scenario could occur if the company deviates from its commitment to deleverage, for instance to make large additional debt-funded acquisitions, or if the company 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 adjusted debt to EBITDA to remain sustainably below 1.5x.

Our Base-Case Scenario

Assumptions

Despite Worldline's announcement it is planning to divest TSS, there are no details yet for a transaction (including timing, size of proceeds, or use of those). In our base case, which continues to include TSS, we assume:

- Global GDP growth of 5.9% in 2021 and 4.3% in 2022, after declining 3.2% in 2020.
- Reported revenue growth of about 83% in 2021 pro forma all announced acquisitions, and 7%-8% in 2022-2023 assuming no additional acquisitions.
- Improving profitability because of topline growth and synergies from acquisitions. Cost synergies in 2021 of around €66 million from Ingenico (out of €200 million in total by 2024) and remaining €27 million from SPS (out of €110 million in total by 2022). Additional synergies from Ingenico and other acquisitions in coming years.
- Capital expenditure (capex) of 5% to 6% of sales in 2021 and 2022.
- No dividends, in line with previous years and also because we expect management will remain focused on reducing leverage.

Key metrics

Worldline S.A.--Key Metrics*

	--Fiscal year ended Dec. 31--			
(Mil. €)	**2020a**	**2021e**	**2022f**	**2023f**
Revenue	2.7	5.0	5.4	5.8
EBITDA margin (%)*	22.7	25.0	26.7	28.4
Free operating cash flow (FOCF)*	350.0	630.0	710.0	830.0
FFO to debt (%)*	14.2	26.0	36.0	50.0
Debt to EBITDA (x)*	5.9	3.1	2.3	1.5

*All figures adjusted by S&P Global Ratings. a--Actual. e--Estimate. f--Forecast. FFO--Funds from operations.

Company Description

Worldline is the leading provider of payment services in Europe. We expect 2021 revenue, pro forma pending acquisitions, of about €5 billion (€3.9 billion excluding TSS). Worldline's business lines are as follows:

- Merchant Services (50% of 2021 revenue) offers merchants a range of payment-related and value-added services, including in-store, online, and mobile payment acceptance solutions, and a range of data analytics and private label card and loyalty services.
- Financial Services (20%) 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 of multi-platform online banking services (including online bank electronic payments).
- Mobility & e-Transactional Services (7%) provides services to address the needs of private- and public-sector

clients, like e-government collection services, e-ticketing, e-consumer, and mobility solutions.

- TSS (23%) relate to terminal activities and include sales of payment terminals and applications, management of installed terminals, including security, connectivity, after-sales service during the life cycle of terminals, upgrades and maintenance.

Peer Comparison

Table 1

Worldline S.A.--Peer Comparison				
	Worldline S.A.	**Fiserv Inc.**	**Global Payments Inc.**	**Fidelity National Information Services Inc.**
Rating as of Nov. 16, 2021	BBB/Stable/A-2	BBB/Stable/A-2	BBB-/Stable/--	BBB/Stable/A-2
(Mil. €)	**--Fiscal year ended Dec. 31, 2020--**			
Revenue	2,747.8	14,898.0	7,423.6	12,552.0
EBITDA	624.3	5,335.0	3,183.9	5,723.0
Funds from operations (FFO)	527.5	4,486.6	2,505.9	4,993.8
Interest expense	37.7	735.4	361.7	358.2
Cash interest paid	3.7	692.4	369.5	447.2
Cash flow from operations	501.6	4,325.6	2,417.0	4,602.8
Capital expenditure	149.3	900.0	436.2	1,129.0
Free operating cash flow (FOCF)	352.3	3,425.6	1,980.8	3,473.8
Discretionary cash flow (DCF)	348.0	1,495.6	1,029.0	2,493.8
Cash and short-term investments	1,381.4	906.0	1,068.6	1,959.0
Debt	3,712.6	20,759.0	9,135.6	18,759.0
Equity	10,385.2	33,329.0	27,487.0	49,487.0
Adjusted ratios				
EBITDA margin (%)	22.7	35.8	42.9	45.6
Return on capital (%)	3.5	2.9	3.6	2.3
EBITDA interest coverage (x)	16.6	7.3	8.8	16.0
FFO cash interest coverage (x)	143.6	7.5	7.8	12.2
Debt/EBITDA (x)	5.9	3.9	2.9	3.3
FFO/debt (%)	14.2	21.6	27.4	26.6
Cash flow from operations/debt (%)	13.5	20.8	26.5	24.5
FOCF/debt (%)	9.5	16.5	21.7	18.5
DCF/debt (%)	9.4	7.2	11.3	13.3

Business Risk: Satisfactory

Our assessment of Worldline's business risk is supported by its leading position in the European payment market, a high proportion of recurrent revenue and strong cash flow, a good level of diversification, and sound growth opportunities.

Worldline ranks as one of the largest payment services providers in Europe. In Europe, it holds a No. 1 position in financial processing and commercial acquiring, a No. 3 position 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 relatively close to No. 3 Global Payments Inc. In Europe, it competes with Nexi and with local players. TSS is the world's largest payment terminal provider with a 35% market share, well ahead of competitors Verifone (25%-30%), Pax (15%-20%), and some smaller Asian 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. In TSS, revenue has been more volatile because it is mainly based on a one-time payment when terminals are installed or replaced. However, this is partly mitigated by the fact that revenue from services and from terminal sales is still recurring because the replacement cycle of terminals is four years, and management has taken steps to gradually smooth TSS revenue over time by moving to payment terms that have a smaller initial fee with more recurrent revenue and software updates.

Growing profitability is also a driver supporting growing FOCF. To some extent, the TSS payment terminal business is more volatile but still, TSS has demonstrated steady and solid cash flow generation.

Another strength is Worldline's product, customer, and geographic diversification. It has a broad range of products and services, which covers the entire payment infrastructure industry, including issuer and acquirer processing, commercial acquiring, services to issuers and merchants, including payment terminals and online payments. It has a diverse customer base comprising more than 1 million merchants, 1,500 banks, and 350 large customers that consist of governments and companies operating in specific industries, including transport, telecommunications, and media. Worldline is also present in 50 countries, although it generates most of 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 a growth driver driving banks to outsource more. We also think that 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 payment 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: Intermediate

Worldline's financial risk profile reflects its declining leverage to below 2.5x, supported by its public financial policy, and solid and growing FOCF.

Our expectation of leverage at 3x in 2021 is above our maximum rating threshold of 2.5x for the current rating, but we expect it will decline in 2.0x to 2.5x by end of 2022, and below 2.0x in 2023. This is supported by growing discretionary cash flows, with no cash used so far to pay dividends or repurchase stock. Worldline's dividend policy is to pay 25% of the net income, but no dividends were paid in the past three years, given the inorganic growth strategy.

Financial summary

Table 2

Worldline S.A.--Financial Summary					
	--Fiscal year ended Dec. 31--				
(Mil. €)	**2020**	**2019**	**2018**	**2017**	**2016**
Revenues	2,747.8	2,381.6	1,887.5	1,748.9	1,419.2
EBITDA	624.3	534.9	365.8	293.7	238.8
Funds from operations (FFO)	527.5	472.0	307.8	243.2	193.5
Net income from continuing operations	163.7	311.2	100.5	105.5	144.2
Operating cash flow (OCF)	501.6	421.3	329.4	286.3	228.7
Capital expenditures	149.3	113.9	105.5	94.5	74.2
Free operating cash flow (FOCF)	352.3	307.4	223.9	191.8	154.5
Discretionary cash flow (DCF)	348.0	295.6	172.0	191.8	154.5
Cash and short-term investments	1,381.4	500.5	212.8	355.8	425.2
Net debt	3,712.6	1,017.7	276.1	0.0	0.0
Adjusted ratios					
EBITDA margin (%)	22.7	22.5	19.4	16.8	16.8
Return on capital (%)	3.5	10.8	8.1	13.7	16.7
EBITDA interest coverage (x)	16.6	27.3	10.9	23.2	14.7
FFO cash int. cov. (x)	143.6	86.8	39.2	39.2	32.5
Debt/EBITDA (x)	5.9	1.9	0.8	0.0	0.0
FFO/debt (%)	14.2	46.4	111.5	N.M.	N.M.
OCF/debt (%)	13.5	41.4	119.3	N.M.	N.M.
FOCF/debt (%)	9.5	30.2	81.1	N.M.	N.M.
DCF/debt (%)	9.4	29.0	62.3	N.M.	N.M.

N.M.--Not meaningful.

Reconciliation

Table 3

Worldline S.A.--Reconciliation Of Reported Amounts With S&P Global Ratings' Adjusted Amounts (Mil. €)

	--Fiscal year ended Dec. 31, 2020--							
Worldline SA reported amounts								
	Debt	**Shareholders' equity**	**EBITDA**	**Operating income**	**Interest expense**	**S&P Global Ratings' adjusted EBITDA**	**Cash flow from operations**	**Capital expenditure**
Reported	4,546.5	9,480.6	534.0	244.9	35.9	624.3	511.3	155.3
S&P Global Ratings' adjustments								
Cash taxes paid	--	--	--	--	--	(93.1)	--	--
Cash interest paid	--	--	--	--	--	(3.7)	--	--
Reported lease liabilities	300.1	--	--	--	--	--	--	--
Postretirement benefit obligations/deferred compensation	197.4	--	0.6	0.6	1.8	--	--	--
Accessible cash and liquid investments	(1,331.4)	--	--	--	--	--	--	--
Capitalized development costs	--	--	(6.0)	(6.0)	--	--	(6.0)	(6.0)
Share-based compensation expense	--	--	33.6	--	--	--	--	--
Nonoperating income (expense)	--	--	--	18.2	--	--	--	--
Reclassification of interest and dividend cash flows	--	--	--	--	--	--	(3.7)	--
Noncontrolling interest/minority interest	--	904.6	--	--	--	--	--	--
EBITDA: Gain/(loss) on disposals of PP&E	--	--	3.3	3.3	--	--	--	--
EBITDA: Other	--	--	58.8	58.8	--	--	--	--
Total adjustments	(833.9)	904.6	90.3	74.9	1.8	(96.8)	(9.7)	(6.0)
S&P Global Ratings' adjusted amounts								
	Debt	**Equity**	**EBITDA**	**EBIT**	**Interest expense**	**Funds from operations**	**Cash flow from operations**	**Capital expenditure**
Adjusted	3,712.6	10,385.2	624.3	319.8	37.7	527.5	501.6	149.3

PP&E--Plant, property, and equipment.

Liquidity: Exceptional

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, 2021. 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	Principal liquidity uses
• Cash and cash equivalents of €1.2 billion; • Revolving credit facilities worth €600 million, maturing in December 2025, and €450 million, maturing in January 2024 (both undrawn); and • Funds from operations of €1 to €1.2 billion.	• Debt maturities of €589 million in in the next 12 months; • €805 million of acquisitions in the next 12 months; • Annual capex between €320 million and €360 million; and • Minimal working capital outflows.

Debt maturities

Table 4

Worldline S.A.--Debt Maturities

Period	Amount (mil. €)
Fiscal 2021	489
Fiscal 2022	100
Fiscal 2023	500
Fiscal 2024	1,100
Fiscal 2025	655
Thereafter	1,300
Total	4,144

Issue Ratings - Subordination Risk Analysis

Capital structure

Worldline's capital structure includes €1.4 billion of convertible bond into Worldline shares maturing in 2024 and 2026, and €2.1 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.

Ratings Score Snapshot

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

Modifiers

- **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)

Related Criteria

- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10 2021
- Group Rating Methodology, July 1, 2019
- Corporate Methodology: Ratios And Adjustments, April 1, 2019
- Reflecting Subordination Risk in Corporate Issue Ratings, March 28, 2018
- Methodology For Linking Long-Term and Short-Term Ratings, April 7, 2017
- Methodology And Assumptions: Liquidity Descriptors For Global Corporate Issuers, Dec. 16, 2014
- Methodology: Industry Risk, Nov. 19, 2013
- Corporate Methodology, Nov. 19, 2013
- Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

Business Risk Profile	Financial Risk Profile					
	Minimal	Modest	**Intermediate**	Significant	Aggressive	Highly leveraged
Excellent	aaa/aa+	aa	a+/a	a-	bbb	bbb-/bb+
Strong	aa/aa-	a+/a	a-/bbb+	bbb	bb+	bb
Satisfactory	a/a-	bbb+	**bbb/bbb-**	bbb-/bb+	bb	b+
Fair	bbb/bbb-	bbb-	bb+	bb	bb-	b
Weak	bb+	bb+	bb	bb-	b+	b/b-
Vulnerable	bb-	bb-	bb-/b+	b+	b	b-

Ratings Detail (As Of November 19, 2021)*

Worldline SA	
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.