

Research Update:

French Payment Company Worldline SA Assigned 'A-2' Short-Term Rating

July 31, 2020

Rating Action Overview

- On July 31, 2020, S&P Global Ratings assigned its 'A-2' short-term issuer credit rating to France-based payment company Worldline SA.
- The short-term issuer credit rating reflects our 'BBB' long-term issuer credit rating, with a stable outlook, on the company.

Rating Action Rationale

We base our 'A-2' short-term rating on Worldline S.A. our 'BBB' long-term rating on Worldline SA. For more information on our long-term rating on Worldline, please see "Worldline 'BBB' Ratings Affirmed On Planned Ingenico Acquisition; Outlook Stable," published Feb. 3, 2020, on RatingsDirect.

We've updated our base case for Worldline as per the objectives adjusted for COVID-19 that the company, alongside Ingenico, announced in April 2020. Our current assumptions for 2020 are slightly weaker than our previous forecast given our downward revision on pro forma revenues for this year. However, we expect Worldline's ratios will remain in line with our thresholds for the current 'BBB/A-2', including S&P Global Ratings-adjusted debt to EBITDA returning below 2.5x within 24 months after the closing of the Ingenico acquisition, which we still expect to occur in third-quarter 2020.

In our base case for Worldline for the coming two years, we assume:

- Global GDP to decline 3.8% in 2020, returning to growth of 5.3% in 2021.
- Flat organic revenue at Worldline in 2020 following COVID-19 impact on payment transaction volumes. Growth of 6%-8% annually in the following years, on the back of increasing card penetration, more outsourcing from banks due to regulatory changes, and somewhat to a more favorable business mix with a greater share of the rapidly expanding merchant segment after the SPS acquisition.
- Revenue at Ingenico to decline 7%-9% in 2020 due to COVID-19 impact on payment terminals

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following the lockdowns in many markets, and lower payment transaction volumes. Mid-single-digit revenue growth in following years.

- A stable S&P Global Ratings-adjusted EBITDA margin at about 22%-23% in 2020-2021 (versus 22.5% in 2019), with integration costs offset by remaining costs synergies from previous acquisitions. Margin expanding to 24%-25% from 2022 on scale benefits from pending cost synergies from SPS, and additional synergies from Ingenico.
- Capital expenditure (capex) of about 5% of sales.
- No dividends, in line with previous years, and as we expect management to remain focused on reducing leverage.

Based on these assumptions, we arrive at the following key metrics:

Worldline Key Metrics

	2019	2020f§	2021f	2022f
Reported revenues (bil. €)	2.4	5,0	5.2-5.6	5.5-6.0
EBITDA margin (%)*	22.5	22.5-23.0	22.5-23.0	24.0-25.0
Reported FOCF (mil. €)	310	610-670	700-760	760-840
FFO/debt (%)*	46.4	20.0-25.0	28-32	38-48
Debt/EBITDA (x)*	1.9	3.4-3.6	2.5-2.6	1.5-2.0

*As adjusted by S&P Global Ratings. §2020 figures are pro forma. FOCF--Free operating cash flow. FFO--Funds from operations. f--Forecast.

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
- General Criteria: Country Risk Assessment Methodology And Assumptions, Nov. 19, 2013
- General Criteria: Methodology: Industry Risk, Nov. 19, 2013
- Criteria | Corporates | General: Corporate Methodology, 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

- Research Update: Worldline 'BBB' Ratings Affirmed On Planned Ingenico Acquisition; Outlook Stable, Feb. 3, 2020

Ratings List

New Rating

Worldline SA

Issuer Credit Rating --/--/A-2

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. A description of each of S&P Global Ratings' rating categories is contained in "S&P Global Ratings Definitions" at https://www.standardandpoors.com/en_US/web/guest/article/-/view/sourceId/504352 Complete ratings information is available to subscribers of RatingsDirect at www.capitaliq.com. All ratings affected by this rating action can be found on S&P Global Ratings' public website at www.standardandpoors.com. Use the Ratings search box located in the left column. Alternatively, call one of the following S&P Global Ratings numbers: Client Support Europe (44) 20-7176-7176; London Press Office (44) 20-7176-3605; Paris (33) 1-4420-6708; Frankfurt (49) 69-33-999-225; Stockholm (46) 8-440-5914; or Moscow 7 (495) 783-4009.

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