KEYVALUE
GLOBAL RESEARCH

Equity Research

ANALYSIS OF ADYEN N.V.

DATE:
30/11/2024

Keyvalueam.com

ADYEN

Buy: €1569,99(13,32%)

Equity Research Division
30/11/2024

Summary

UNITS

Country	Netherlands
Sector	Digital Payments
Current Price	1.385 €
Target Price	1.570 €
Upside	13% %
Ticker	ADYEN
Stock Exchange	ENXTAM

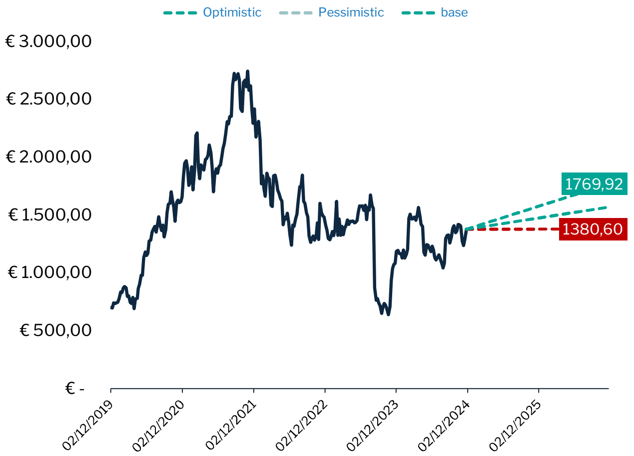
Shares Outstanding	31 m
Market Capitalization	43.197 m
EPS (2023)	22,4 €



Analyst
Aniello Renzullo

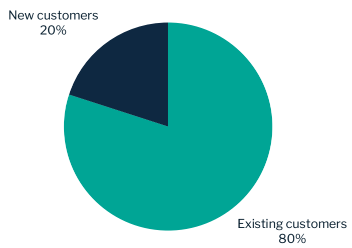
Team Leader
Gianluca Farina

Head of Equity Research
Marco Tempestini



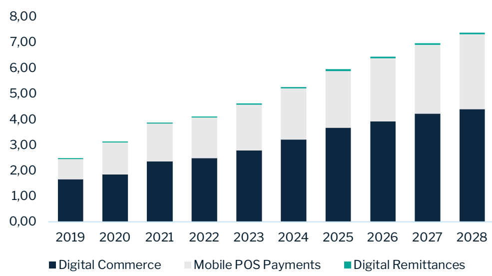
Source: Team Analysis

Revenue groth composition



Source: Company data, Team Analysis

Digital payments transaction value APAC 2019-2028, by segment



Source: Company data, Team Analysis

INVESTMENT SUMMARY

We issue a BUY recommendation for Adyen with a one-year target price of €1556 presenting an 22% upside potential from ADYEN's closing price of €1277 on November 17th, 2024. The target price is based on a Discounted Cash Flow (DCF) method and supported by Relative Valuation. Our recommendation rests on the following key catalysts: (1) Customer retention , (2) Emerging markets positioning , (3) AI integrations , and (4) Propietary technology .

ADYEN'S CUSTOMER RETENTION

Adyen's success is built on its ability to retain and deepen relationships with its existing customer base, making customer retention a cornerstone of its growth strategy. Over 80% of Adyen's revenue growth stems from existing customers and is a reflection of customers revenue growth. Adyen's churn rate is positioned among the lowest in the indurty stating at less than 1% against financial services industry average of 20%. This reflects Adyen's ability to consistently deliver value and reliability to enterprise merchants, which form the core of its client base.

Adyen's unified payments platform plays a crucial role in retention by offering seamless omnichannel payment solutions that cater to complex merchant needs. Features like centralized data insights, fraud prevention, and high authorization rates enable merchants to streamline operations and enhance customer experiences. Adyen's flexibility in adapting to client-specific requirements ensures long-term relationships, fostering trust and reducing churn rates. For enterprise clients with global operations, this level of integration and reliability is invaluable.

Moreover, Adyen's land-and-expand strategy allows it to introduce additional services, such as issuing and platform payment solutions, which deepen its engagement with existing clients. By creating a dependency on its comprehensive solutions, Adyen effectively builds a "lock-in" effect, making it difficult for merchants to switch providers.

EMERGING MARKETS POSITIONING

Adyen is strategically investing in emerging markets, which present significant opportunities for growth as cashless payments gain traction. Regions like Asia-Pacific (APAC) and Latin America (LATAM) are high-priority areas where Adyen is establishing a strong foothold by obtaining local acquiring licenses and building localized payment solutions.

In LATAM, Adyen has prioritized investments in key markets like Brazil and Mexico by acquiring licences for those two countries, which are experiencing rapid digitalization and increasing e-commerce penetration. By offering direct acquiring capabilities in these markets, Adyen ensures higher transaction approval rates, reduced processing costs, and compliance with local regulations.

Similarly, in APAC, Adyen benefits from the region's preference for mobile-first payment methods, such as digital wallets and QR codes, particularly in countries strongly focused on export like India and China. Its local acquiring licenses allow Adyen to compete effectively by catering to these payment preferences. Emerging markets are expected to contribute a larger share of Adyen's revenue in the coming years, bolstered by the rapid growth of mobile payments and cross-border transactions.

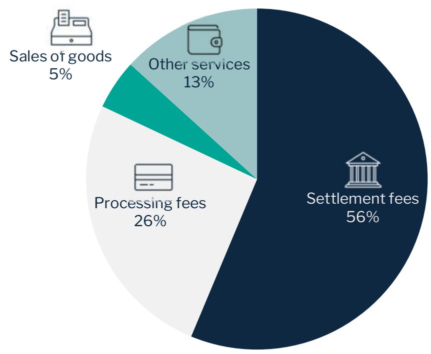
AI INTEGRATIONS

Adyen's integration of artificial intelligence (AI) into its platform enhances its ability to provide high-performance, efficient, and secure payment solutions. One of its standout AI-powered tools is RevenueProtect, a fraud prevention system that leverages machine learning to analyze vast amounts of transactional data in real time. This capability allows merchants to detect and mitigate fraud with exceptional accuracy, reducing chargebacks and safeguarding revenue. Beyond fraud prevention, AI also plays a role in intelligent routing, where Adyen uses data-driven insights to optimize transaction flows. By routing payments through the most cost-effective and efficient paths, AI helps maximize authorization rates while minimizing processing fees. This is particularly valuable for merchants operating in multiple regions with diverse payment preferences and regulatory requirements. Adyen's focus on AI-driven insights also extends to customer data analytics. Merchants can use Adyen's tools to gain deeper insights into consumer behavior, enabling them to tailor their offerings and improve customer experiences. These AI-powered capabilities not only enhance the performance of Adyen's platform but also provide a significant competitive edge in the fast-evolving payments landscape.

PROPIETARY TECHNOLOGY

Adyen's proprietary technology stack is at the heart of its operations and a key differentiator in the competitive payments industry. Unlike many competitors, Adyen develops and maintains its technology entirely in-house, which gives it full control over every aspect of the payment lifecycle, including gateway services, risk management, acquiring, and settlement. This proprietary infrastructure provides several advantages in scalability, cost efficiency, security and cross platform integration. The proprietary nature of Adyen's in house technology also allows it to innovate faster than competitors. For example, its direct acquiring licenses in key regions reduce reliance on intermediaries, enabling quicker and more efficient payment processing. This infrastructure is a major reason why global brands like Spotify, Uber, and Microsoft rely on Adyen for their payment needs.

Business Model



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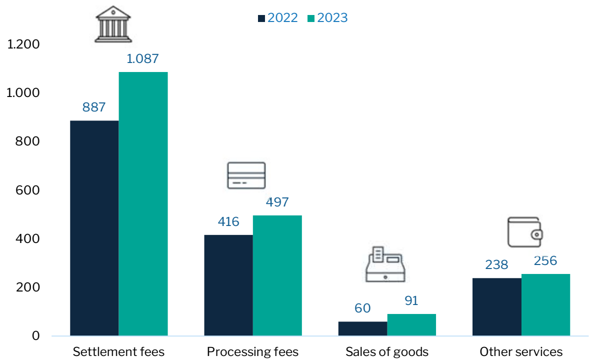

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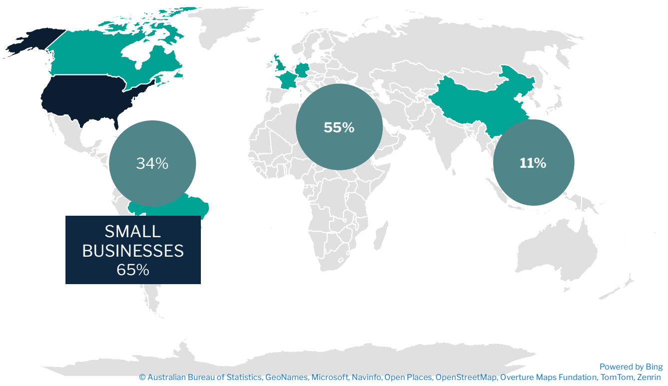

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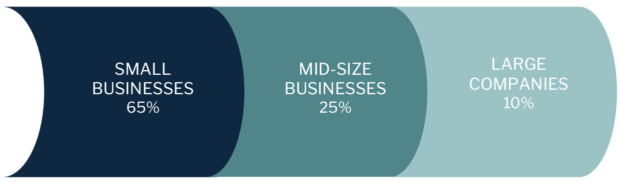


OVERVIEW

Adyen, founded in 2006 and headquartered in Amsterdam, is a global financial technology company that provides businesses with a unified platform to manage end-to-end payments. Their services encompass online, in-person, and cross-channel transactions, integrating gateway, risk management, processing, issuing, acquiring, and settlement functionalities. Adyen's platform supports various payment methods, including credit cards, debit cards, and real-time bank transfers, facilitating seamless transactions for merchants worldwide.

BUSINESS SEGMENTS & GEOGRAPHIC REACH

The **Digital** segment supports online businesses, such as e-commerce and subscription services, by helping them navigate global payment complexities. Adyen's single integration manages various payment types and security requirements while utilizing intelligent routing and machine learning to enhance authorization rates, lower transaction costs, and prevent fraud through its RevenueProtect system. This allows digital businesses to provide an optimized and secure payment experience, tailored to the expectations of online consumers.

Unified Commerce enables brands to integrate online and in-store transactions. Serving sectors like retail and hospitality, this segment allows customers to enjoy a seamless shopping experience across digital, mobile, and physical channels. By combining point-of-sale (POS) and online payments, Adyen offers real-time insights into customer activities, enabling businesses to provide cross-channel services, such as online returns at physical stores and in-store pickups. Its consolidated data ecosystem grants businesses a comprehensive view of consumer behaviors across channels, enhancing customer engagement and optimizing operations.

The **Platforms** segment caters to marketplaces and SaaS providers that require embedded payment solutions. Through Adyen's white-label services, platforms can offer branded payment capabilities to their end-users, typically small to medium-sized businesses. The Embedded Financial Product (EFP) suite provides services like business accounts and split payments, allowing platforms to offer differentiated financial services to their customers. With Adyen's infrastructure, platforms can effectively manage payments, meet regulatory requirements, and provide financial tools that support the growth of their users.

Adyen operates globally across four major regions: EMEA, North America, Asia-Pacific, and Latin America. **EMEA** is the largest revenue-generating region for Adyen, benefiting from a strong and established market presence. **North America** is the fastest-growing area for the company. In Asia-Pacific, Adyen tailors its approach to accommodate diverse consumer preferences and regulatory environments.

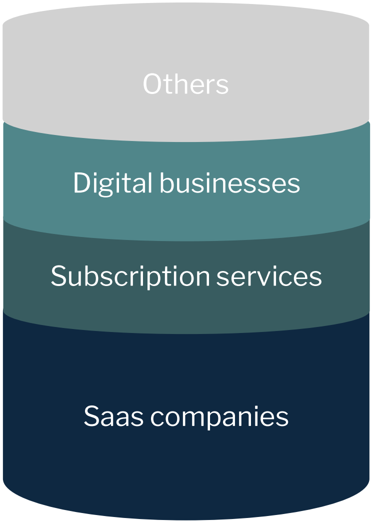
COMPANY STRATEGY

Customer-Centric Expansion
Adyen's land-and-expand strategy constitutes a fundamental aspect of its growth model, with more than 80% of this growth originating from existing clients. This data underscores the efficacy of increasing product utilization within established partnerships. The strategy emphasizes the importance of adding value across products, channels, and geographical regions, which serves to maintain low client churn rates and positions Adyen as a reliable long-term partner.

Proprietary Technology and Operational Efficiency
Adyen's comprehensive in-house technology stack grants the company control over the entire payments lifecycle, encompassing gateway services, processing, issuing, and acquiring functions. This autonomy facilitates a prompt response to customer requirements, allows the company to swiftly adaptat to regulatory changes, and ensures seamless integration across various payment methods. Moreover, the platform's technological architecture enhances operational efficiency, yielding cost savings for clients through advanced features such as intelligent routing and fraud prevention mechanisms.

Geographic and Market Diversification
Adyen actively pursues strategic geographic expansion to harness growth opportunities in underpenetrated markets. While the EMEA region remains the primary source of revenue, North America represents a significant growth area, prompting Adyen to invest in local capabilities and expand its infrastructure. Additionally, the company's recent investments in securing licenses in markets such as Mexico and Brazil reflect its commitment to achieving local market leadership in Latin America, thereby reducing reliance on third-party partners and enhancing its competitive positioning.

Financial Goals and Profitability
Adyen has established financial objectives that target annual revenue growth of 20-30% through the year 2026, with a concentration on operating leverage aimed at achieving an EBITDA margin exceeding 50% by that same year. Furthermore, the company intends to keep capital expenditures below 5% of net revenue, thereby ensuring a sustainable investment model that effectively balances growth and profitability.



DIGITAL

The **Digital** segment is Adyen's oldest and most established offering, designed specifically for online-first businesses such as e-commerce platforms, digital content providers, and subscription services. This segment addresses the need for secure and efficient online payments by managing the complex landscape of global payment methods, security standards, regulatory requirements, and consumer preferences. Adyen's single integration approach allows merchants to accept a wide range of payment methods including credit cards, debit cards, digital wallets, and local payment options across multiple regions. It also offers additional services such as real-time fraud prevention, automated transaction routing, and network tokenization, which enhance authorization rates and reduce instances of fraud.

A standout feature of the Digital segment is its **intelligent routing** capability, which minimizes transaction costs by identifying the most efficient payment path. Adyen leverages data from millions of transactions to continuously improve this system, optimizing for both high authorization rates and cost efficiency.

The segment also includes tools like **RevenueProtect**, which combines advanced machine learning algorithms with Adyen's global data network to detect and prevent fraud. This capability is crucial for digital-first businesses that handle high transaction volumes. By effectively managing complex payment flows and security challenges, Adyen has become a preferred choice for major enterprises in the digital market, ranging from streaming services to online marketplaces.

UNIFIED COMMERCE

Unified Commerce is designed for businesses that operate both online and in physical stores, such as retailers, hospitality providers, and luxury brands. This approach is particularly valuable for companies aiming to provide a seamless shopping experience across digital, mobile, and in-store channels. It allows for a unified view of the customer journey, regardless of how the customer engages with the brand.

Adyen's Unified Commerce solution integrates **point-of-sale** (**POS**) systems with online payment gateways, giving businesses real-time insights into customer transactions and behaviors across different channels. This integration enables features such as cross-channel returns, where customers can return online purchases in-store, and in-store pickups for online orders. These features not only enhance convenience for customers but also provide businesses with consolidated data, allowing them to tailor their marketing efforts and improve customer engagement.

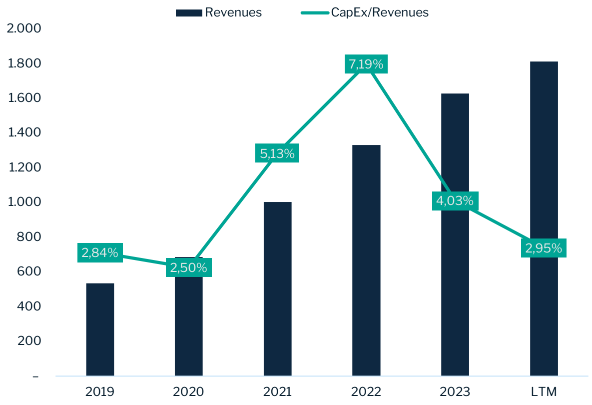
A key component of Unified Commerce is Adyen's **omnichannel data ecosystem**. By capturing transaction data from multiple touchpoints, businesses can analyze customer behavior patterns and preferences through a unified dashboard. This capability is crucial for informed decision-making, enabling businesses to personalize offerings, optimize inventory management, and track customer loyalty. Consequently, Adyen's Unified Commerce solutions are attractive to businesses that prioritize a cohesive brand experience and seek deep insights into customer interactions.

PLATFORMS

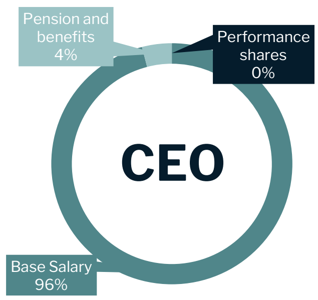
The **Platforms** segment offers embedded payment solutions designed for platform businesses, marketplaces, and software-as-a-service (SaaS) providers that want to integrate payment capabilities into their offerings. Adyen's white-label solutions enable these platforms to provide payment services to their end-users—usually small and medium-sized businesses (SMBs)—under their own brand, creating a seamless experience for the platform's customers.

Marketplaces and SaaS applications can benefit from Adyen's **Embedded Financial Product** (**EFP**) suite, which includes features such as business bank accounts, cash advances, and issued debit cards. These offerings allow platforms to provide their users with a comprehensive range of financial services, which helps differentiate their offerings and foster customer loyalty. Additionally, Adyen for Platforms includes a split payments feature, allowing the platform to distribute payments among multiple parties within a single transaction. This functionality is especially important for businesses like ridesharing and property rental marketplaces.

With its **platform business** model, Adyen enables marketplace operators to monetize payment flows while handling regulatory requirements on behalf of their customers. This service is appealing for platforms looking for a scalable, compliant payment infrastructure that facilitates rapid customer onboarding and expansion.

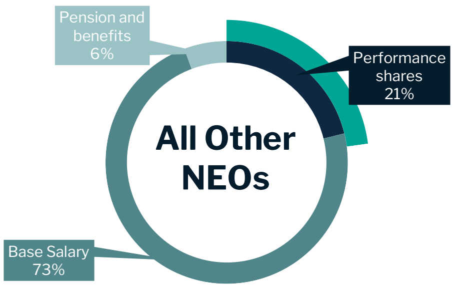


Source: Team Analysis, Company Data



0,00% At Risk

Source: Team Analysis, Company Data



22,90% At Risk

Source: Team Analysis, Company Data

CAPITAL ALLOCATION

Adyen's management takes a disciplined and forward-looking approach to capital allocation, which is essential for sustaining its growth and maintaining a competitive edge. A key component of Adyen's strategy involves balancing reinvestment in its technology platform, scaling global capabilities, and preserving financial resilience to support long-term objectives.

Adyen maintains a **capital expenditure level of up to 5% of net revenue**, which aligns with its commitment to sustainable investments in technology and infrastructure. This disciplined approach ensures that funds are directed towards enhancing its proprietary end-to-end platform, enabling the company to process payments, manage risks, and provide acquiring services with minimal reliance on third-party providers.

The company aims for net revenue growth in the low to high twenties annually through 2026, reflecting its commitment to expanding its global presence. This expansion includes obtaining acquiring licenses in key markets such as India and Mexico, which will allow for localized payment solutions that drive cost efficiency and foster deeper customer relationships. By investing in strategic regions with untapped potential, Adyen positions itself to capture long-term market share.

Adyen avoids short-term financial maneuvers, such as variable executive compensation, in order to maintain predictable governance. Its focus on long-term investments, including innovations in intelligent routing and new product rollouts, reinforces its ability to lower transaction costs and improve client outcomes. Through this strategy, Adyen aligns its financial objectives with the goal of creating sustained value for shareholders.

BACKGROUND AND COMPENSATION

Adyen's leadership team, comprised of Co-CEOs Pieter van der Does and Ingo Uytdehaage, brings extensive expertise in the financial technology sector, driving both strategic vision and operational excellence. Pieter, as a co-founder, has been instrumental in shaping Adyen's innovative payment solutions and fostering its customer-centric philosophy, which has positioned the company as a global leader in the payments industry. Ingo complements this vision with his deep financial expertise, focus on operational efficiency, and strategic insights that ensure the company maintains a balanced approach to growth and profitability. Together, they embody a leadership style that is both innovative and pragmatic, guiding Adyen through an ever-evolving financial landscape while maintaining a commitment to sustainable success. Their leadership underscores Adyen's commitment to long-term growth, technological advancement, and operational resilience.

The Management Board includes experienced professionals such as Roelant Prins, the Chief Commercial Officer, and Mariëtte Swart, the Chief Legal and Compliance Officer, among others. Each brings unique expertise to the table, contributing to Adyen's well-rounded approach to leadership. Roelant's strategic focus on commercial growth and customer acquisition has been key to expanding Adyen's global footprint, while Mariëtte ensures robust governance and compliance frameworks, vital in a heavily regulated sector like payments. This diverse mix of skills within the Management Board creates a dynamic leadership environment capable of addressing both macroeconomic challenges and micro-level operational efficiencies. Adyen's practice of internal promotions reflects its emphasis on fostering leadership talent from within, which not only sustains its strong company culture but also ensures continuity in executing its strategic vision. This approach underscores Adyen's commitment to building a resilient, innovation-driven organization.

Adyen's executive compensation strategy is a reflection of its philosophy of long-term value creation, underpinned by transparency and alignment with shareholder interests. The compensation structure consists of base salaries, pensions, and benefits, with a notable emphasis on shares as a significant component. In 2023, the total compensation for the Management Board reached €5.68 million, with share-based compensation accounting for less than 20% of the total. This unique structure, which notably excludes variable compensation tied to short-term metrics, is designed to ensure that management's focus remains squarely on sustainable growth and achieving long-term strategic milestones. The absence of bonuses or variable pay eliminates the risk of incentivizing short-term decision-making, fostering a culture of accountability and long-term planning.

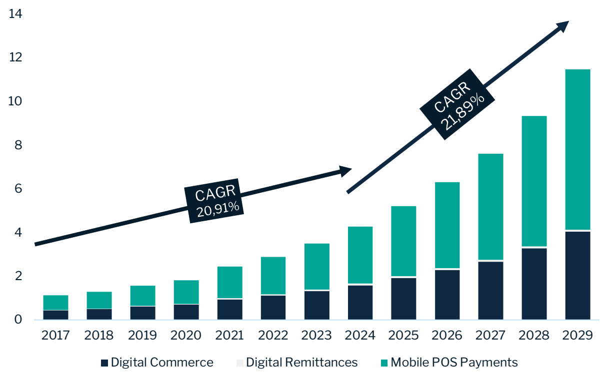
This compensation philosophy further aligns the interests of Adyen's leadership with those of its shareholders, reinforcing a shared commitment to innovation and market leadership. By tying a significant portion of executive rewards to the company's long-term performance, Adyen ensures that its leadership is fully invested in the success of the organization. The predictable and transparent nature of the compensation structure enhances trust and sets a benchmark in the payments industry for corporate governance practices. Moreover, the stability and cohesion of Adyen's leadership team have been critical to its ability to navigate competitive pressures and adapt to the rapidly changing technological and regulatory environment. The

COMUNICATION

Adyen's communication strategy is grounded in transparency, stakeholder engagement, and a focus on long-term growth. At the core of its communication practices lies the company's dedication to building trust with customers, investors, and regulators. Adyen's approach to communication is consistent with its operational principles, including its adherence to the "Adyen Formula," which emphasizes clarity, efficiency, and the alignment of strategic priorities across all touchpointstive and open communication, particularly when addressing critical issues such as data privacy, regulatory compliance, and platform stability. For instance, the company openly discloses incidents such as data breaches, ensuring that affected stakeholders are informed promptly and comprehensively. This approach not only mitigates reputational risks but also reinforces Adyen's commitment to continuous improvement and accountability .

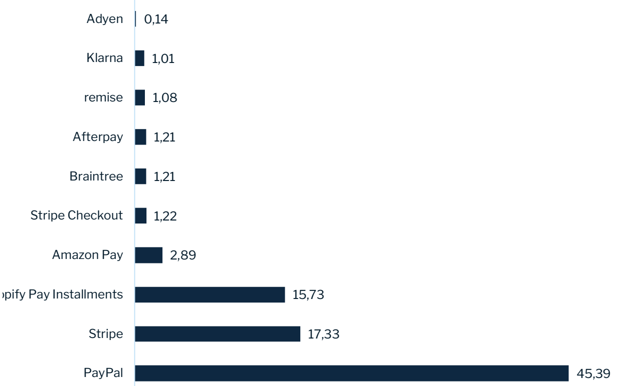
Sector Analysis

TRANSACTION VALUE BY MARKET in trillion USD (US$)



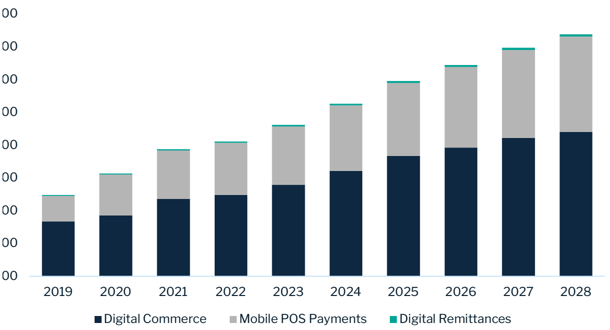
Source: Statista market insights, Team Analysis

Market share of online payment processing software on web domains worldwide 2024 in %



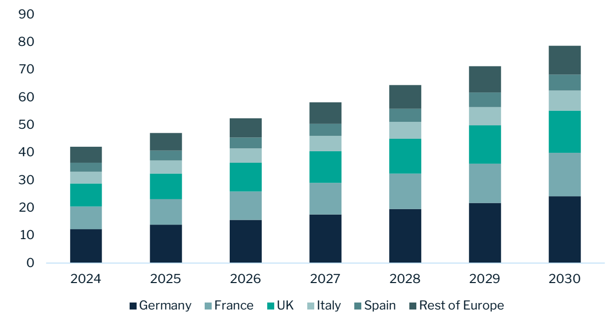
Source: Statista market insights, Team Analysis

Digital payments transaction value APAC 2019-2028



Source: Statista market insights, Team Analysis

Payment gateway market in 5 countries in Europe forecasts to 2030



Source: Statista market insights, Team Analysis

DIGITAL PAYMENTS MARKET GROWTH

The global digital payments market has demonstrated significant growth, reaching over $5.83 trillion in 2023 for worldwide transaction values in digital commerce, with forecasts suggesting a continued rise to $12.93 trillion by 2029. This growth is fueled by increasing consumer adoption of e-commerce, mobile payments, and cashless transactions. In the G7 countries, transaction volumes are also rising steadily, projected to grow from $0.44 trillion in 2017 to $4.04 trillion by 2029, reflecting strong adoption rates in mature markets

DIGITAL PAYMENTS INDUSTRY OVERVIEW

Competitive Landscape

Adyen competes in a digital payments market dominated by PayPal (45.39% share) and Stripe (17.33%). It targets enterprise clients with a unified payments platform that integrates e-commerce and in-store transactions. This focus attracts high-value merchants needing scalability and advanced fraud prevention.

Despite intense competition, Adyen's proprietary technology enables faster innovation. Its direct acquiring licenses enhance cost efficiency and transaction approval rates, particularly in international payments. While new players targeting small and medium-sized businesses are emerging, Adyen's enterprise focus helps mitigate this competition.

Regional Analysis

Adyen's main revenue source is the EMEA region, averaging €634 million annually from 2017 to 2023, thanks to its market presence and omnichannel solutions. In North America, revenue averages €458 million due to growing e-commerce demand, driven by local investments. The Asia-Pacific region averages €1.07 billion, benefiting from mobile payment adoption, while Latin America averages €199 million, with growth potential despite regulatory challenges.

Future Opportunities

Adyen has strong growth opportunities as commerce shifts to cashless transactions. The rise of e-commerce and mobile payments, particularly in developing markets, aligns with its capabilities. Its multi-currency processing positions it well for cross-border transactions, and enhancements in AI-driven fraud prevention can improve merchant experiences and reduce chargebacks.

Adyen's Strategic Position

Adyen is a technology-driven payment platform that excels in managing the entire payment process, enhancing innovation and reducing reliance on third parties. Its land-and-expand strategy prioritizes deepening relationships with existing clients, contributing over 80% of revenue growth.

The company practices financial discipline with a cap on capital expenditures at 5% of net revenue and aims for over 50% EBITDA margins by 2026. By investing in underpenetrated markets and aligning with trends like mobile commerce and AI-driven fraud detection, Adyen remains a leader in the digital payments industry and positions itself for long-term growth.

DIGITAL COMMERCE

Digital commerce represents the backbone of the digital payments industry and is the largest subsector driving growth in global transaction volumes. In 2023, this market accounted for a staggering $5.27 trillion in worldwide transaction values, a figure expected to more than double to $10.99 trillion by 2028. This explosive growth is fueled by several interconnected factors. First, the expansion of online retail platforms has revolutionized consumer habits, making e-commerce a preferred mode of shopping for billions worldwide. Second, the rapid adoption of mobile commerce has further accelerated this trend, with consumers increasingly relying on smartphones for purchases. Finally, the proliferation of subscription-based services—spanning streaming, software, and recurring consumer goods—has added significant momentum to this subsector.

Adyen plays a pivotal role in supporting this growth by providing a robust and unified payments platform tailored to the needs of merchants operating in e-commerce and omnichannel environments. By seamlessly integrating online, in-store, and mobile payment solutions, Adyen enables businesses to deliver consistent and frictionless customer experiences across channels. For instance, Adyen's intelligent routing system optimizes transaction approval rates and minimizes processing costs, making it an indispensable partner for large merchants. Furthermore, its advanced fraud prevention tools, such as RevenueProtect, safeguard merchants from chargebacks and fraudulent transactions, thereby enhancing trust and reliability in the digital

DIGITAL REMITTANCES

While smaller in scale than digital commerce, the digital remittances subsector has been steadily growing, reflecting its importance in the global payments ecosystem. In 2023, this market saw transaction values of $0.23 trillion, driven by increasing migration patterns and the demand for efficient cross-border money transfers. Key growth drivers include lower transaction fees, faster processing times, and expanding digital financial solutions in developing markets.

Adyen, though primarily focused on enterprise solutions, supports the digital remittances subsector indirectly through cross-border transaction capabilities. By offering acquiring licenses in key markets and enabling seamless multi-currency payment processing, Adyen empowers global merchants to handle cross-border transactions efficiently. This infrastructure is especially valuable in regions with high remittance flows, ensuring compliance with local regulations while maintaining cost efficiency. Moreover, Adyen's global acquiring network reduces reliance on intermediaries, a critical advantage for businesses involved in international money transfers. While not a direct player in remittances, Adyen's infrastructure underpins this subsector's growth, enabling businesses to tap its potential while maintaining scalability.

External Analysis

SWOT ANALYSIS

S — Strengths

- Proprietary Technology Platform.
- Global Acquiring Licenses.
- Strong Customer Retention
- Innovative Offerings.

W — Weaknesses

- Dependence on Key Markets.
- Limited Direct Influence in Emerging Markets.
- High Competition.

O — Opportunities

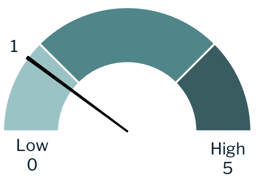
- Emerging Markets Expansion.
- Growth of Digital and Unified Commerce.
- Partnership Opportunities.
- Adoption of AI and Machine Learning.

T — Threats

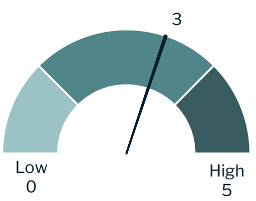
- Regulatory Challenges.
- Macroeconomic Risks.
- Intense Competition.
- Cybersecurity Risks.

FIVE PORTER'S FORCES

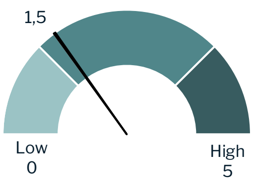
BARGAINING POWER OF SUPPLIERS



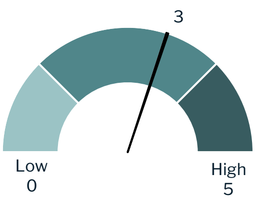
BARGAINING POWER OF BUYERS



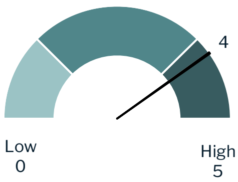
THREAT OF NEW ENTRANTS



THREAT OF SUBSTITUTE PRODUCTS



COMPETITIVE RIVALRY



Bargaining Power of Suppliers
Adyen's proprietary technology platform significantly reduces its dependence on third-party providers, strengthening its position in supplier management. By developing and maintaining its infrastructure in-house, including acquiring licenses and implementing risk management tools, Adyen minimizes external dependencies. Although financial institutions and card networks play a role in payment processing, Adyen's ability to negotiate favorable terms and ensure seamless integrations reduces the bargaining power of its suppliers.

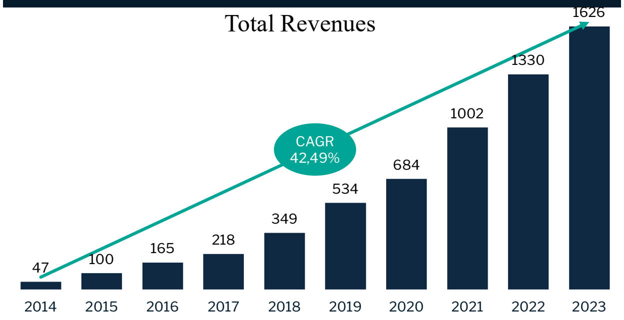
Bargaining Power of Buyers
Adyen caters to a diverse clientele, ranging from small businesses to large enterprises. For major enterprise customers, such as global merchants or platforms, the bargaining power is higher, as they can negotiate better pricing and terms due to the volume of their transactions. However, Adyen's end-to-end platform and advanced technology create a "lock-in effect," making it difficult for clients to switch to competitors without incurring high costs or sacrificing operational efficiency.

Threat of New Entrants
The barriers to entry in the global payments market are substantial due to high capital investment and regulatory requirements needed to operate at scale. Adyen's extensive acquiring licenses, innovative solutions, and established customer base make it challenging for new entrants to compete effectively. Additionally, the complexity of building a robust, end-to-end payment processing platform further raises these barriers.

Threat of Substitute Products
While alternative payment processors exist, few can match Adyen's fully integrated, end-to-end solutions. Competitors may offer cheaper services, but they often lack Adyen's ability to deliver a seamless payment experience across multiple channels and regions. Nonetheless, advancements in payment technology and the growing availability of low-cost alternatives present a moderate threat, especially for smaller or price-sensitive merchants.

Competitive Rivalry
The payment processing industry is highly competitive, with established players such as Stripe, PayPal, and Square competing alongside Adyen. The industry is dynamic, with new entrants introducing innovative or cost-effective solutions. Although Adyen's focus on enterprise clients, superior technology, and strong customer retention help it differentiate itself, the intensity of competition necessitates continuous innovation and operational excellence to maintain market position.

Source: Company data, Team Analysis



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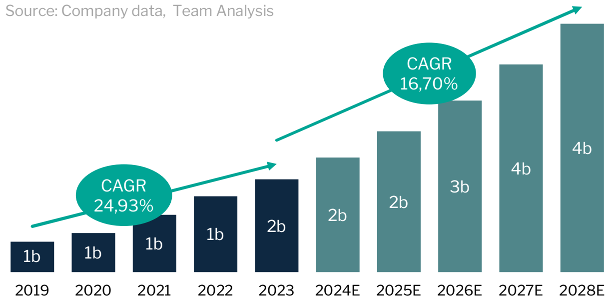

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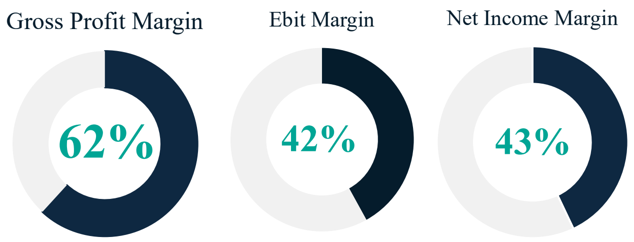

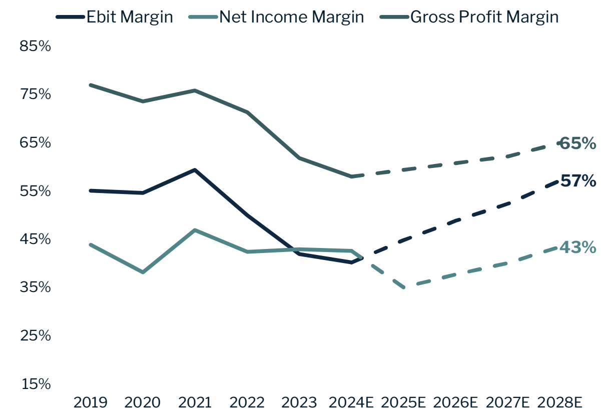

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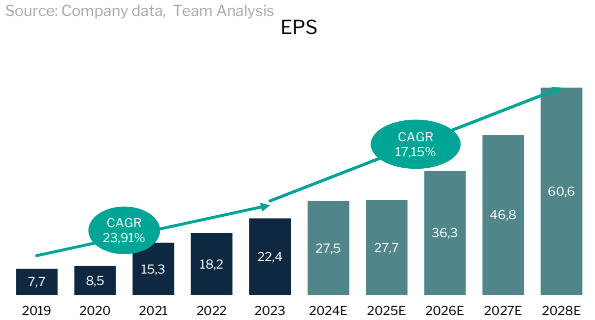

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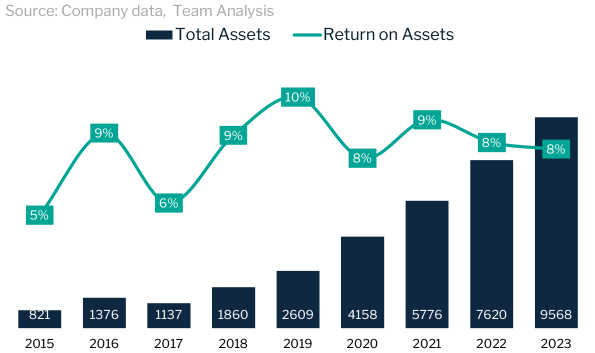


INCOME STATEMENT

Performance Review

From 2014 to 2023, Adyen has demonstrated robust revenue growth, with a consistent year-over-year increase. In 2023, the company achieved a net revenue of €1.63 billion, reflecting a 22% increase from the prior year's €1.33 billiontrajectory underscores Adyen's resilience and adaptability in an evolving payments market. Over the past five years, Adyen has achieved a compound annual growth rate (CAGR) of approximately 25%, indicating its ability to leverage market opportunities effectively and maintain momentum despite global economic challenges.

Examining the cash f Adyen reported a net operating cash flow of €1.87 billion in 2023, a slight decrease from €2.02 billion in 2022. However, this reflects prudent financial management amid higher reinvestments in platform upgrades and geographical expansion . Despite these investments, Adyen liquidity position, with cash and cash equivalents standing at €8.31 billion, a 27% increase year-over-year.

Future Growth Scenarios (2024-2028)

Adyen's growth er the next five years can be anticipated under three scenarios:

Base Scenario: Under this scenario, Adyen is expected to continue growing steadily, leveraging its proprietary platform and expanding merchant solutions. A CAGR of 18% is anticipated, with revenues projected to reach €3.05 billion by 2028. This scenario assumes strong market acceptance of Adyen's innovations and a gradual increase in global digital payment adoption.

Pessimistic Scenario: In a more challenging environment, charantensified competition or slower-than-expected adoption of digital payment solutions in emerging markets, Adyen might experience a reduced CAGR of 12%. Nonetheless, revenues are expected to reach approximately €2.6 billion by 2028, reflecting resilience due to its established merchant base and advanced payment infrastructure .

Optimistic Scenario: Should Adyen successfully penetrate under-served regily scale its Embedded Financial Products (EFP) suite, the company could achieve a CAGR of 22%, with revenues surging to €3.6 billion by 2028. This scenario presumes accelerated adoption of Unified Commerce solutions and positive feedback from the integration of artificial intelligence .

Margins

Adyen has consistently demonstrated robust margin performance, supported by its proprietary technology platform and scalable operational model. In 2023, Adyen's Gross Profit Margin reached an impressive 89%, reflecting the company's operational efficiency and ability to deliver services at a low incremental cost. This level of gross profitability underscores Adyen's strong value proposition, driven by its end-to-end payment solution that eliminates reliance on third-party providers. The margin stability also reflects the company's ability to maintain pricing power in a highly competitive market.

The EBITDA Margin stands at 61%, a significant figure that highlights Adyen's disciplined cost management and operational scalability. This performance is indicative of the company's ability to expand its revenue base without proportional increases in operating expenses. Adyen's lean business model, combined with its investment in automation and process optimization, supports this exceptional level of profitability.

Similarly, Adyen's Net Income Margin rose to 27%, reflecting strong bottom-line profitability. This growth in net income margins is a result of both revenue growth and stringent cost controls across operating and financing activities. The company's capacity to generate substantial profits from its operations positions it as one of the most efficient players in the payments industry.

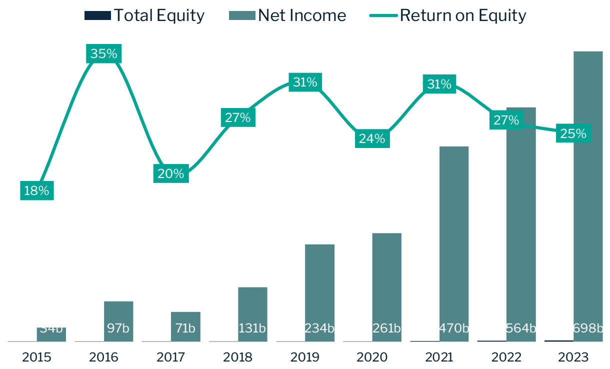
The Free Cash Flow Margin further emphasizes Adyen's financial strength, standing at 32% in 2023. This metric highlights the company's ability to convert a significant portion of its revenue into cash, providing it with the liquidity necessary to reinvest in growth initiatives, acquire acquiring licenses in new markets, and return value to shareholders. The robust cash flow conversion also underscores Adyen's high-quality earnings.

EPS

Adyen's Earnings Per Share (EPS) has shown remarkable growth over recent years, reflecting its ability to drive profitability and create substantial value for shareholders. From 2019 to 2023, Adyen's EPS grew significantly from €6.0 to €11.8, representing a Compound Annual Growth Rate (CAGR) of 14.52%. This consistent growth demonstrates the company's robust operational performance and efficiency in converting revenue into shareholder return.

Looking ahead, Adyen's EPS is projected to rise further, reaching €19.6 by 2028, with an expected CAGR of 10.14% from 2024 to 2028. While slightly lower than the historical growth rate, this projected performance reflects a stabilization phase.

Return on Assets (**ROA**) has consistently risen over the past decade, increasing from 5% in 2015 to 8% in 2023, highlighting Adyen's ability to generate higher profitability relative to its growing asset base. The 2020 peak in ROA was driven by exceptional conditions during the pandemic, which boosted transaction volumes and operational leverage. This trend reflects Adyen's efficiency in utilizing its proprietary technology stack and global infrastructure to maximize returns. Looking ahead, the ROA is expected to continue its upward trajectory, potentially reaching 21% by 2028, as the company expands further into high-growth regions and optimizes its asset base.



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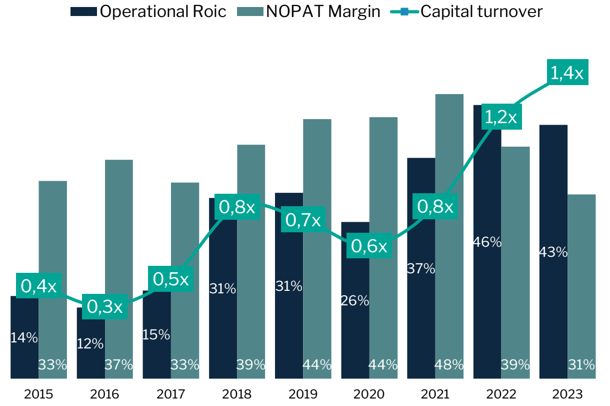


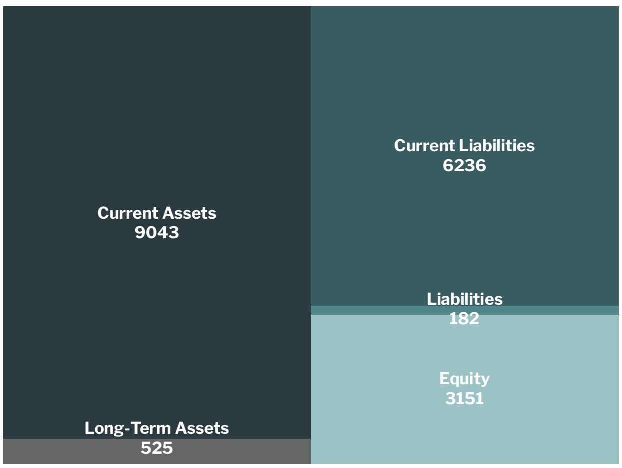
Source: Company data, Team Analysis

Return on Equity (ROE) has also shown remarkable growth, rising from 9% in 2015 to a stable 25% in 2023, despite fluctuations in equity levels due to reinvestments in the business. The peak ROE of 31% in 2021 and 2019 underscores the company's exceptional profitability during that year, benefiting from strong revenue growth and cost efficiency. The subsequent stabilization at 25% reflects a balance between profitability and equity growth, signifying Adyen's ability to deliver consistent returns to shareholders while funding strategic expansions. This trend highlights efficient equity management, a core strength of Adyen's leadership team.

Operating **Return on Invested Capital** (**ROIC**) further demonstrates Adyen's capital efficiency. ROIC reached 10% in 2021 and 2019 before stabilizing at 6% in 2023, driven by improvements in both the Net Operating Profit After Tax (NOPAT) Margin, which rose from 12% in 2015 to 27% in 2023, and the Capital Turnover, which increased from 0.9x to 1.9x over the same period. This growth reflects Adyen's ability to reinvest capital efficiently into high-return projects while maintaining strong operating margins. The stabilization at high levels signals a mature and adaptable operating structure capable of responding to market dynamics.

Implications for Growth

The high ROIC highlights Adyen's ability to achieve significant growth without requiring excessive capital investment. For example, to achieve 5% revenue growth, Adyen would only need to reinvest approximately 9% of its capital, while a 10% growth scenario would require just 19% reinvestment. This efficiency underscores Adyen's robust operating model and its ability to scale profitably while maintaining financial discipline.



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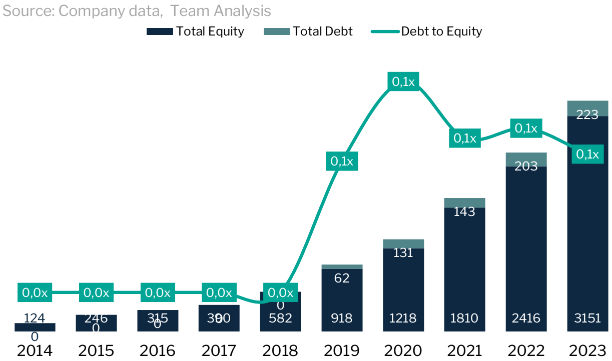

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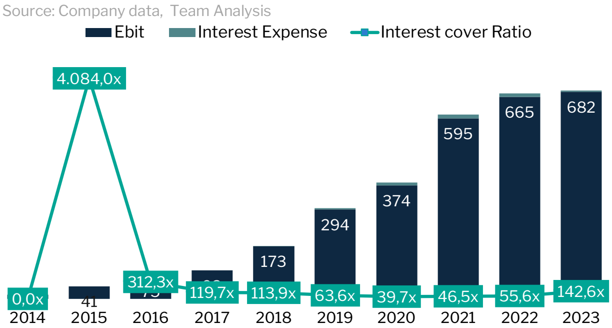


Source: Company data, Team Analysis

BALANCE SHEET

Adyen's balance sheet reflects a solid and well-capitalized financial structure, characterized by prudent resource allocation and robust liquidity management. As of the latest twelve months (LTM), Total Assets reached €10.08 billion, representing a steady 5.3% year-over-year growth. This growth was primarily driven by increases in Total Current Assets, which rose to €9.55 billion, accounting for nearly 95% of total assets. Adyen's strong asset base underscores its ability to support ongoing operations and strategic investments while maintaining a low-risk financial profile.

Adyen's Equity stands at €3.58 billion, reflecting a conservative capital structure where equity contributes significantly to funding long-term assets. This approach minimizes the reliance on debt, as evidenced by the company's modest Long-Term Debt, which remains at €185 million. By limiting leverage, Adyen reduces its exposure to default risk, maintaining a stable financial position and preserving flexibility for future growth opportunities.

The company also demonstrates effective management of short-term obligations. Current Assets of €9.55 billion comfortably exceed Current Liabilities of €6.32 billion, resulting in a robust liquidity buffer. This surplus highlights Adyen's ability to cover its short-term liabilities with ease, ensuring smooth operational continuity without dependence on external financing. Key components of current assets, such as Cash and Short-Term Investments, amount to €8.75 billion, underscoring the company's substantial liquidity position and capacity to fund both immediate and strategic initiatives.

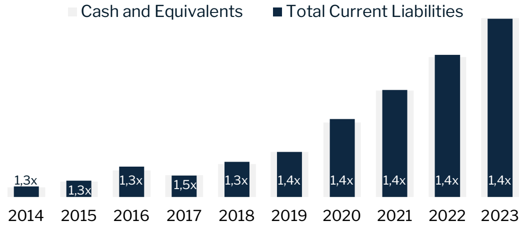
Adyen's financial structure reflects a prudent and consistently improving approach to leverage management. Since 2014, the company has maintained a highly conservative Debt-to-Equity (D/E) ratio, ensuring long-term financial sustainability. This ratio has remained exceptionally low, with Long-Term Debt accounting for a mere €185 million in the latest twelve months (LTM), compared to Equity of €3.58 billion. This translates to a D/E ratio of just 0.05x, underscoring Adyen's commitment to minimizing financial risk and maintaining a well-capitalized balance sheet.

Over the years, Adyen's D/E ratio has progressively declined, driven largely by the robust growth in equity. Equity has grown significantly, from €124 million in 2014 to €3.58 billion in LTM, reflecting the company's consistent profitability and retention of earnings to fund expansion. This trend highlights Adyen's conservative approach to debt, which allows the company to maintain operational flexibility and limit exposure to potential liquidity risks.

Adyen's limited use of debt is further evidenced by its Interest Coverage Ratio, which remains exceptionally strong. With EBIT consistently outpacing interest expenses, the interest coverage ratio demonstrates the company's ability to service debt with ease. This ensures that any incremental leverage incurred for strategic growth initiatives would remain manageable and sustainable.

Despite its conservative leverage levels, Adyen's strategy provides ample liquidity to support growth opportunities. The company's significant equity base and low reliance on debt allow it to pursue acquisitions, invest in emerging markets, and expand its technological capabilities without compromising financial stability. This approach ensures Adyen can capitalize on industry growth while retaining the flexibility to weather

Quick Ratio



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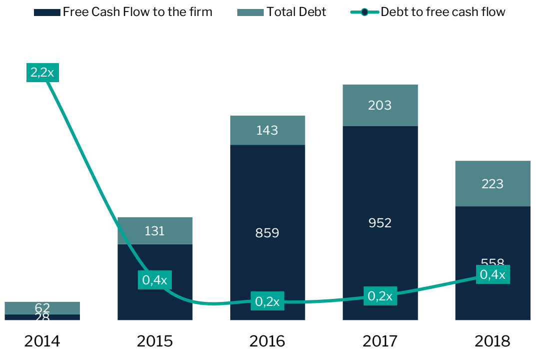
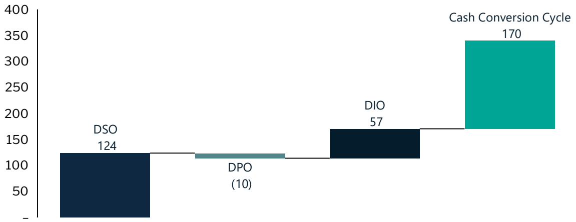


Source: Company data, Team Analysis

Cash Conversion Cycle



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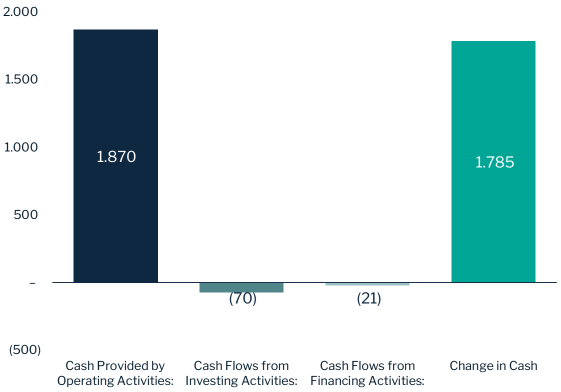
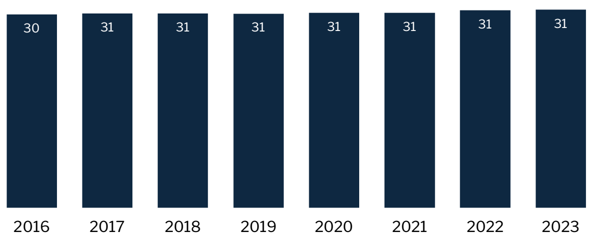


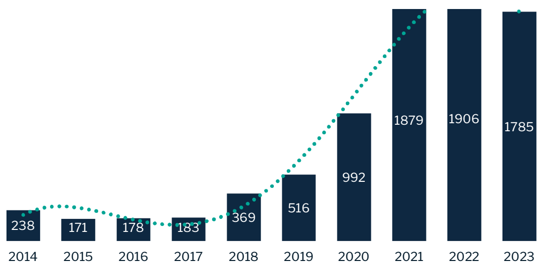
Source: Company data, Team Analysis

Diluted Shares Outstanding



Source: Company data, Team Analysis

Change in Cash



Source: Company data, Team Analysis

Adyen's Quick Ratio, measuring its ability to meet short-term obligations using liquid assets, has shown a stable trend, reflecting disciplined cash management and operational efficiency. From 2014 to the most recent twelve months (LTM), Adyen's liquidity position has been robust.

Between 2014 and 2017, Adyen maintained a Quick Ratio above 2.0x, reflecting a conservative approach to accumulating liquid assets for growth. By 2018, the ratio declined to around 1.4x as Adyen strategically used cash reserves to invest in acquiring licenses.

In recent years, Adyen's Quick Ratio has stabilized at 1.3x-1.5x, reflecting efficient working capital management. This decrease signals a shift toward a leaner liquidity structure while ensuring reserves to meet obligations. The ratio aligns with Adyen's strategy of balancing liquidity and growth, allocating resources for innovation and expansion.

Adyen's Free Cash Flow (FCF) to Debt ratio reflects exceptional financial strength and prudent leverage management. This ratio has consistently improved due to Adyen's substantial Free Cash Flow growth and conservative debt utilization. As of the latest twelve months (LTM), the ratio stands at 4.9x, indicating Adyen's Free Cash Flow is nearly five times its total debt, underscoring its ability to cover obligations and maintain strategic flexibility.

This high ratio is driven by Adyen's strong cash generation capabilities, with Free Cash Flow consistently increasing, reaching €905 million in LTM, while total debt has remained modest at €185 million. The company's ability to generate liquidity relative to its debt positions it to weather financial uncertainties while funding growth initiatives such as R&D, and platform enhancements. Adyen's robust FCF-to-Debt ratio also supports shareholder-friendly activities like share buybacks without compromising financial stability. This ratio highlights the company's flexibility to allocate capital efficiently across investments and shareholder returns, ensuring long-term value creation.

Adyen's Cash Conversion Cycle (CCC) shows an interesting evolution towards negative values in recent years, stabilizing at 170 days in 2023 and in the last period considered (LTM). This high CCC does not necessarily indicate inefficiency but instead reflects the operational realities of Adyen's role as a global payments processor. The delay in receivables collection is offset by Adyen's strong liquidity position and robust cash flow generation, which ensure that the company can meet its obligations and fund growth initiatives without liquidity constraints.
Adyen's ability to manage its long CCC effectively is evident, with cash and cash equivalents of €8.75 billion as of the latest twelve months. This substantial liquidity buffer mitigates any potential risk, ensuring operational continuity.

CASHFLOW STATEMENT

Adyen's cash flow from operating activities has shown steady growth, rising from €146 million in 2014 to over €2.43 billion in LTM 2023, driven by sustained revenue growth and effective cost management. This consistent increase reflects Adyen's ability to scale its operations profitably, benefiting from its proprietary platform and global merchant base. The growth in operating cash flow highlights its robust core business performance and its efficiency in converting revenue into liquidity.

On the other hand, cash flow from investment activities has been modest, reflecting Adyen's capital-light business model. Over the years, capital expenditures (CAPEX) have remained consistently low, typically below 5% of net revenue, allowing Adyen to preserve strong Free Cash Flow. However, certain years, such as 2022, saw higher outflows (e.g., €88 million) driven by strategic investments in expanding its platform and acquiring licenses in high-growth markets. These investments, though modest in scale, are critical for maintaining Adyen's technological edge and supporting future growth.

Despite these investment and financing activities, Adyen has maintained a consistently strong Free Cash Flow (FCF), which reached €905 million in LTM 2023. This growth highlights its ability to generate liquidity while keeping investment needs minimal, ensuring significant flexibility to reinvest in growth initiatives or manage economic fluctuations.
Adyen's cash flow trends between 2014 and 2023 reflect a strategy focused on maintaining robust operational liquidity while reinvesting strategically to support long-term growth. Over this period, Adyen's operating cash flow steadily increased from €146 million in 2014 to €2.43 billion in LTM 2023, highlighting the company's ability to consistently generate cash from core operations. This growth stems from the scalability of Adyen's proprietary platform and its efficient cost structure, which enable it to convert increasing revenue into strong cash inflows.

On the investment side, Adyen has maintained a disciplined approach, with capital expenditures (CAPEX) remaining modest and consistently below 5% of net revenue. Historical data shows occasional spikes, such as €88 million in 2022, associated with targeted investments in platform improvements and geographic expansions. These investments reflect Adyen's focus on sustaining innovation and scaling its infrastructure to meet the growing demands of its global merchant base. Despite these strategic outflows, the company's capital-light model ensures that it maintains substantial Free Cash Flow (FCF).

Free Cash Flow has risen consistently, reaching €905 million in LTM 2023, providing Adyen with ample financial flexibility. This strong FCF generation is a cornerstone of its growth strategy, allowing the company to invest in R&D, acquire local payment licenses, and expand into emerging markets without requiring significant external financing. The sustained growth in FCF highlights Adyen's ability to manage its liquidity efficiently while maintaining a solid financial foundation.

Valuation

DCF VALUATION

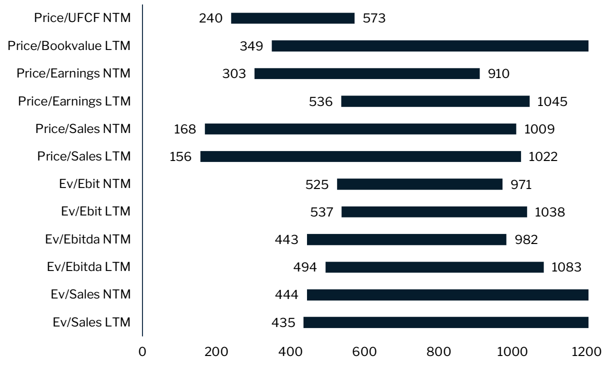
Weighted Average Cost of Capital	
Risk free rate (R_f)	2,96% [1]
Country risk premium	0,30% [2]
Equity risk premium (R_m - R_f)	4,38% [3]
Equity Beta	1,18 [4]
Cost of Equity (K_e)	8,41%
Cost of debt	6,33% [5]
Tax rate	21,14%
After-tax Cost of Debt (K_{dt})	4,99%
Capital Structure	
Equity	99%
Debt	1%
Weighted Average Cost of Capital	8,39%

We estimate a WACC of 8,39% for ADYEN. To determine the cost of debt, we add ADYEN' debt rating-implied corporate spread to the risk-free rate. To reflect ADYEN' global operations, we use a revenue-weighted spread plus the risk-free rate (DE5y), adjusted based on regional revenue distribution. The cost of equity is calculated using the CAPM formula, incorporating a revenue-weighted equity risk premium. The Beta is derived from a direct correlation with the MSCI WORLD, as we believe this benchmark aligns more closely with ADYEN' global reach and its potential market movements.

We expect the terminal growth rate to stabilize at 2,5% after 2028 based on (1) projected real GDP growth in core markets, (2) Growth of the industry, and (3) long term inflation goals of company' main countries of operation. We see potential upside for the terminal growth rate based on the possible favorable market position and economic conditions. This will result in further appreciation of the share price far beyond our target price. Our terminal value also implies an exit EV/EBITDA multiple of 19,4x.

SCENARIOS	BEAR CASE	BASE	BULL CASE
Regulations promoting digital payments.	The government significantly delays implementing the law, slowing the shift away from cash transactions.	The government implements the law with minor delays, gradually reducing cash transactions over time.	The government swiftly enacts the law, accelerating the transition to digital payments and boosting adoption.
Regulatory Changes	**0%**	**5%**	**15%**
Emerging economies positioning	Adyen fails to establish a competitive position in APAC and LATAM economies. Failing to further expand its custumuer base	Adyen establishes a competitive position in APAC and LATAM economies, reaching a more global customer base.	Adyen establishes a leading position in APAC and LATAM economies, positioning as a global digital payments company.
Customer Base	**+3%**	**+6-7%**	**+9-10%**
Client's growth	Adyen's solution to clients fai to bring a significative improvement to it's current customers' revenue growth and management, resulting in a revenue growth under the expectations.	Adyen succeeds tomantain its current drivers of current revenue growth coming for 80% from its current customers.	Adyen's solutions bring a significative incrise in clients revenues resulting in a srong increase in adywn's revenue groth
Revenue growth	**+5% YoY**	**+8% YoY**	**+10% YoY**
Price target ADYEN	**1380,60**	**1569,99**	**1769,92**
% Change from current price	**0%**	**13%**	**28%**

RELATIVE VALUATION



To confirm our recommendation, we conduct multiples valuation, to contextualize Adyen's value relative to comparable companies in the design software industry and those utilizing a similar business model. By selecting peers based on industry and business model alignment, we ensure a more accurate comparison in terms of business characteristics and risk exposure. The selected peer group reflects firms facing similar growth dynamics, cost structures, and market risks. Based on this analysis, we derived an average implied target price for Adyen of $1395, implying a 7.8% upside and supports our buy recommendation. We identify EV/EBITDA as the most appropriate multiple due to the strong margins related to the industry. This choice is grounded in the robust EBITDA margins typical of the digital payments, where high gross margins and economies of scale are prevalent. EV/EBITDA is particularly insightful in this context because it is less affected by non-operating factors, such as tax differences, and focuses on the core operating profitability.

Qualitative Factors	
Unique business model	☐
Operates globally	☑
Diversified customer base	☑
Capable of Growing	☑
Competitive advantages	☑
Pricing Power	☑
Leading Market position	☐
Capable Management	☑
Recession resistant	☑
Immune to disruption	☑

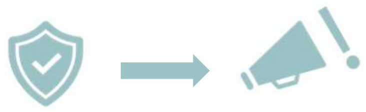
Quantitative Factors	
Debt/Equity <0.8	Yes
Ebit/interst exp. >5	Yes
Revenue 5y CAGR > 5%	Yes
ROIC 5y Avg > 15%	NO
FCF/Net income > 80%	NO
Ebitda 5y CAGR > 7%	Yes

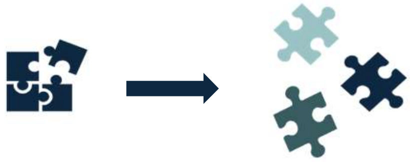
Based on our analysis, Adyen meets our investment philosophy, aligning strongly with all our qualitative and quantitative criteria. The company demonstrates a unique business model, operates on a global scale, and benefits from a diversified customer base, all of which position it well for sustainable growth. Adobe holds competitive advantages through its pricing power, market leadership, high switching costs, economies of scale, and management capabilities, making it resilient to economic downturns and disruption.

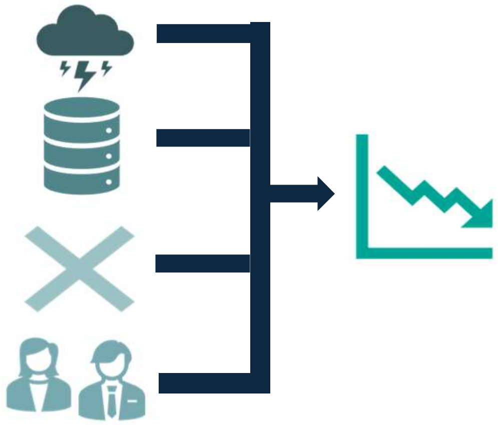
Quantitatively, Adyen satisfies our metrics, boasting a solid financial structure with low debt, high returns on invested capital, and robust cash flow generation. Its impressive growth rates in revenue and EBITDA confirm the company's potential for continued success. Given these factors, we are confident in Adobe's status as a high-quality investment, as it represents, especially from a fundamental perspective, one of the best companies in the world.

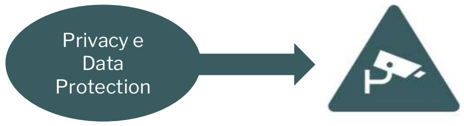
We reiterate our BUY recommendation for ADYEN . To confirm the robustness of our DCF and to incorporate the investment risks outlined in the next section, we performed a sensitivity analysis and a scenario analysis. Our analysis is complemented with a relative valuation, which verifies our buy recommendation.

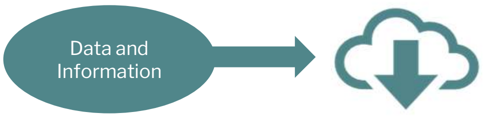
Investment risks

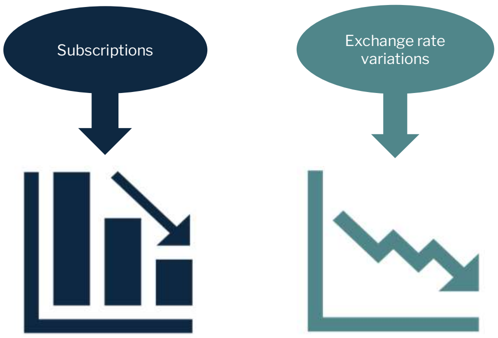












Risks Related to Adyen's Ability to Grow the Business

Adyen operates in a highly competitive and rapidly evolving fintech industry. Its growth relies on constant innovation and the ability to adapt to emerging market needs. If the company fails to innovate or effectively respond to customer demands, it risks losing market share. While Adyen's land-and-expand strategy has proven effective, it requires significant investment in technology and talent. Any delays or missteps in scaling product offerings—such as introducing new payment methods or fraud prevention tools—could hinder growth.

Additionally, Adyen's global expansion strategy presents challenges in integrating local licenses and developing region-specific solutions, both of which demand long-term planning and resources. Poor management of these efforts could distract from management's focus, diminishing the effectiveness of new initiatives. Intense competition in the payments sector, coupled with the presence of low-cost alternatives, may create price pressures that adversely affect Adyen's margins and financial results.

Brand reputation is crucial in fintech, where trust is essential. Any technical failures, such as downtime on Adyen's platform, could severely compromise customer confidence, leading to churn and a loss of future revenue.

Risks Related to Adyen's Operational Aspects

Adyen relies on its in-house technology stack, which offers complete control but also centralizes risk. Any critical failure or vulnerability in its platform could disrupt payment services, negatively affecting customer experience and harming the company's reputation. With the increasing volume of sensitive data being processed, the risk of cyberattacks and data breaches poses a significant threat—both financially and legally.

Partnerships with global merchants and suppliers are vital for Adyen's business continuity. Disruptions in these relationships, particularly in emerging markets, could result in revenue loss. Additionally, global macroeconomic risks, such as inflation, interest rate hikes, and political instability, may increase operational costs and impact customer purchasing behavior.

Attracting and retaining top talent in a competitive job market is another critical risk. Adyen's rapid growth and expansion require a highly skilled workforce. Failure to secure key personnel could impede innovation and operational efficiency.

Risks Related to Laws and Regulations

As a global payment processor, Adyen must navigate complex regulatory environments across various regions. The company faces substantial risks associated with data privacy laws, such as the GDPR in Europe, as well as local payment regulations in emerging markets like India and Brazil. Non-compliance with these regulations could result in fines, penalties, or operational restrictions.

Adyen's global acquiring licenses, while providing a competitive advantage, also expose the company to regulatory risks. Changes in cross-border payment rules or disputes with local regulators could disrupt operations and increase compliance costs. Emerging markets present additional risks due to differing business practices and less predictable regulatory environments.

Risks Related to Financial Performance

Adyen's revenue growth is influenced by its tiered pricing model, which aims to increase wallet share with existing customers rather than relying exclusively on new business. This strategy can create variability in revenue growth rates, especially during periods of economic uncertainty when customers may prioritize cost reduction.

The company's exposure to international markets also makes it vulnerable to currency fluctuations, which could impact reported revenues. Although Adyen's balanced global footprint mitigates some of this risk, unexpected changes in exchange rates may still affect its financial outcomes.

General Risk Factors

While Adyen's presence in emerging markets drives growth, it also exposes the company to economic instability, currency volatility, and geopolitical risks. Recessions in major regions or trade restrictions could lead to lower transaction volumes and reduced revenue.

Finally, stock market volatility can impact Adyen's valuation and investor confidence, particularly given the sensitivity of fintech stocks to changes in macroeconomic conditions and analyst forecasts.

APPENDIX

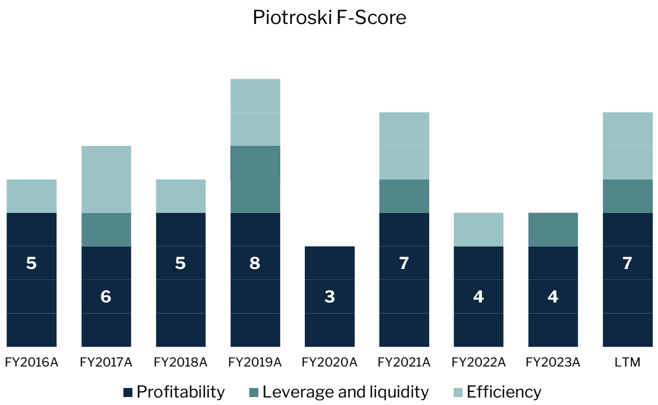
SLOAN RATIO

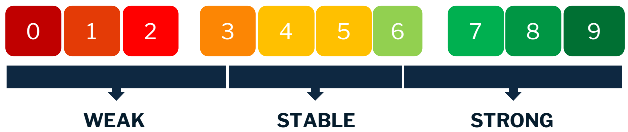
	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	LTM
Net Income	234	261	470	564	698	826
Cash Flow from Operations	529	1.017	1.820	2.021	1.870	2.431
Cash Flow from Investing	(23)	(22)	(42)	(88)	(70)	(75)
Total Assets	2.609	4.158	5.776	7.620	9.568	10.080
Sloan Ratio	**-10,44%**	**-17,64%**	**-22,65%**	**-17,97%**	**-11,52%**	**-15,18%**
Interpretation	Normal Quality	Normal Quality	Normal Quality	Normal Quality	Normal Quality	Normal Quality

The profits reported in the income statement, along with revenue, are among the key financial metrics closely monitored by investors, as they directly influence the short-term performance of the stock price. However, this focus can place pressure on management, pushing them to adopt accounting practices aimed at meeting market expectations, potentially resulting in profits that may not be sustainable in the long run. Provisions, being subject to discretionary estimates, are one of the areas where more aggressive management can intervene.

Sloan highlighted that companies with a high level of accruals, meaning a high proportion of provisions, tend to generate lower stock returns compared to those with a lower provision ratio. The Sloan ratio, which represents the percentage of provisions relative to total assets, is thus a useful indicator for assessing the quality of a company's earnings.

The company's Sloan Ratio falls between -25% and -10%, or between 10% and 25%, placing it in an intermediate zone. This figure indicates a growing reliance on provisions, which requires some attention. While the current level does not represent an immediate risk, the situation could deteriorate if this trend continues. We recommend that investors closely monitor upcoming quarterly results, as further increases in provisions could affect the future sustainability of earnings.



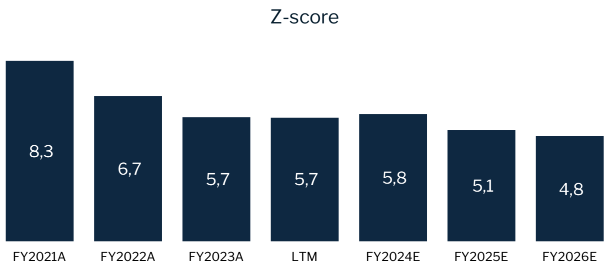


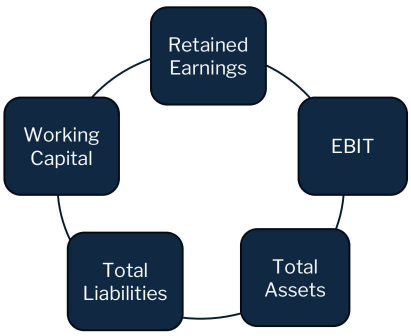
PIOTROSKI F-SCORE

The Piotroski F-Score is a fundamental analysis tool developed by accounting professor Joseph D. Piotroski to assess a company's financial health. This score comprises nine financial criteria, divided into three main categories: profitability, operational efficiency, and capital structure. Each metric within these categories is assigned one point if it meets certain favorable conditions, resulting in a cumulative score that ranges from 0 to 9.

Over the past 20 years, a stock selection strategy within the S&P 500 that used a Piotroski F-Score greater than 6 and included annual rebalancing would have outperformed the S&P 500, achieving a compound annual growth rate (CAGR) of 14.8%. This superior performance highlights how the Piotroski F-Score can enhance returns within a value investing strategy, demonstrating its effectiveness in selecting financially strong companies relative to the broader market.

Our analysis indicates that the company's Piotroski F-Score in 2023 is within the optimal range of 7 to 9, reflecting a strong financial position and robust fundamentals. This high score suggests the company excels across profitability, operational efficiency, and capital structure management. In this context, we consider the investment risk to be limited, as the financial indicators demonstrate effective management and resilience. With this strong foundation, the company is well-positioned for sustainable growth, making it an attractive option for value-focused investors.





ALTMAN Z-SCORE

	Historical				Projected		
	FY2021A	FY2022A	FY2023A	LTM	FY2024A	FY2025A	FY2026A
1.	0,9	0,9	0,9	0,9	0,9	1,0	1,0
2.	0,1	0,1	0,1	0,1	0,1	0,1	0,1
3.	0,1	0,1	0,1	0,1	0,1	0,1	0,1
4.	11	8	7	7	7	6	5
5.	0,17	0,17	0,17	0,18	0,19	0,19	0,20
Z-score	**8,3**	**6,7**	**5,7**	**5,7**	**5,8**	**5,1**	**4,8**
Interpretation	Safe zone	Safe zone	Safe zone	Safe zone	Safe zone	Safe zone	Safe zone

The Altman Z-score is a predictive financial metric designed to assess the likelihood of a company's insolvency within the next two years. Developed to anticipate bankruptcy risk, Altman's model has demonstrated an accuracy rate of 95% one year before bankruptcy, decreasing to 72% two years before and 52% three years before.

This formula measures the "distance" between a company's financial ratios and those typical of distressed companies. A high Z-score indicates a lower risk of failure, while a low score signals higher risk, providing investors and analysts with a key parameter to evaluate a company's creditworthiness and financial stability.

Based on our analysis, the company is in a safe zone, with a low risk of default in the short to medium term. This high score indicates a solid financial structure and a stable capacity to generate operating cash flows. Assets are efficiently utilized, and leverage is maintained at manageable levels, making this company an attractive option for investors seeking stability and resilience to market shocks. This positioning inspires confidence in the company's management reliability and long-term sustainability.

INCOME STATEMENT														
Ammounts in million	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	LTM	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Revenues	165	218	349	534	684	1.002	1.330	1.626	1.811	2.008	2.464	3.004	3.637	4.347
% YoY Growth	*64,7%*	*32,3%*	*59,8%*	*53,1%*	*28,1%*	*46,4%*	*32,8%*	*22,2%*	*11,4%*	*23,5%*	*22,7%*	*21,9%*	*21,1%*	*19,5%*
Cost of goods sold	(50)	(65)	(88)	(123)	(181)	(242)	(381)	(620)	(682)	(843)	(1.000)	(1.177)	(1.375)	(1.521)
Gross Profit	**115**	**154**	**261**	**411**	**504**	**760**	**949**	**1.006**	**1.129**	**1.165**	**1.464**	**1.826**	**2.262**	**2.825**
% YoY Growth	*80,6%*	*34,1%*	*69,8%*	*57,8%*	*22,4%*	*50,9%*	*24,9%*	*6,0%*	*12,3%*	*15,8%*	*25,7%*	*24,8%*	*23,9%*	*24,9%*
SG&A expenses	(3)	–	–	(1)	(1)	(2)	(4)	(7)	(7)	(40)	(42)	(42)	(40)	(22)
R&D expenses	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other operating expenses	(37)	(60)	(88)	(116)	(129)	(163)	(280)	(317)	(341)	(317)	(317)	(317)	(317)	(317)
Operating Income	**75**	**93**	**173**	**294**	**374**	**595**	**665**	**682**	**781**	**808**	**1.105**	**1.467**	**1.906**	**2.487**
% YoY Growth	*83,5%*	*24,6%*	*85,3%*	*70,1%*	*26,9%*	*59,1%*	*11,8%*	*2,6%*	*14,6%*	*18,5%*	*36,8%*	*32,8%*	*29,9%*	*30,5%*
± Non-operating income(e	45	(0)	(7)	5	(41)	(1)	67	266	346	346	59	59	59	59
– Interest Expense	(0)	(1)	(2)	(5)	(9)	(13)	(12)	(5)	(16)	–	–	–	–	–
Pretax Income	**120**	**92**	**165**	**295**	**323**	**581**	**720**	**943**	**1.111**	**1.154**	**1.164**	**1.527**	**1.965**	**2.546**
– Tax Provision	(22)	(21)	(34)	(61)	(62)	(111)	(156)	(244)	(285)	(298)	(300)	(394)	(507)	(657)
Net Income	**97**	**71**	**131**	**234**	**261**	**470**	**564**	**698**	**826**	**856**	**864**	**1.133**	**1.458**	**1.889**
% YoY Growth	*189,3%*	*-26,7%*	*83,9%*	*78,6%*	*11,4%*	*80,0%*	*20,1%*	*23,8%*	*18,2%*	*22,6%*	*0,9%*	*31,1%*	*28,7%*	*29,6%*
Ebit	75	93	173	294	374	595	665	682	781	808	1.105	1.467	1.906	2.487
Depreciation & Amortization	3	5	7	20	26	32	58	82	90	56	68	82	97	113
Ebitda	**78**	**98**	**180**	**315**	**400**	**627**	**723**	**764**	**872**	**864**	**1.173**	**1.549**	**2.003**	**2.600**
% YoY Growth	*84,2%*	*25,6%*	*83,7%*	*74,6%*	*27,1%*	*56,7%*	*15,4%*	*5,6%*	*14,1%*	*13,1%*	*35,8%*	*32,1%*	*29,3%*	*29,8%*

INCOME STATEMENT DRIVERS														
	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	LTM	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Cost of sales % Rev.	*30,6%*	*29,7%*	*25,3%*	*23,0%*	*26,4%*	*24,1%*	*28,7%*	*38,1%*	*37,6%*	*42,0%*	*40,6%*	*39,2%*	*37,8%*	*35,0%*
SG&A % of Rev.	*1,9%*	*0,0%*	*0,0%*	*0,1%*	*0,2%*	*0,2%*	*0,3%*	*0,4%*	*0,4%*	*2,0%*	*1,7%*	*1,4%*	*1,1%*	*0,5%*
R&D expenses % of Re	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
D&A % of revenues	*1,9%*	*2,1%*	*2,0%*	*3,8%*	*3,8%*	*3,2%*	*4,4%*	*5,0%*	*5,0%*	*2,8%*	*2,8%*	*2,7%*	*2,7%*	*2,6%*
Cost of debt % Revenu	-	-	-	*7,5%*	*7,2%*	*8,9%*	*5,9%*	*2,1%*	*7,1%*	*6,3%*	*6,3%*	*6,3%*	*6,3%*	*6,3%*
Effective tax Rate	*18,6%*	*22,7%*	*20,4%*	*20,5%*	*19,2%*	*19,1%*	*21,6%*	*25,9%*	*25,7%*	*25,8%*	*25,8%*	*25,8%*	*25,8%*	*25,8%*
EPS	3,2	2,3	4,3	7,7	8,5	15,3	18,2	22,4	26,5	27,5	27,7	36,3	46,8	60,6
% YoY Growth	*0,0%*	*-27,0%*	*83,7%*	*79,0%*	*10,9%*	*79,9%*	*18,7%*	*23,3%*	*18,2%*	*3,7%*	*0,9%*	*31,1%*	*28,7%*	*29,6%*
Diluted Shares Outstan	30	31	31	31	31	31	31	31	31	31	31	31	31	31
Dividends per Share	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Payout Ratio	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*

BALANCE SHEET														
Amounts in millions	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	LTM	FY2024A	FY2025A	FY2026A	FY2027A	FY2028A
Total Cash	680	863	1.232	1.745	2.737	4.616	6.522	8.307	8.735	9.029	11.241	13.189	15.379	18.818
Short Term Investments	–	7	14	13	12	–	–	–	20	–	–	–	–	–
Cash & short-Term Invest.	**680**	**870**	**1.246**	**1.758**	**2.750**	**4.616**	**6.522**	**8.307**	**8.755**	**9.029**	**11.241**	**13.189**	**15.379**	**18.818**
Accounts Receivable	648	208	398	490	968	697	471	632	708	783	961	1.171	1.419	1.695
Inventory	3	4	8	7	20	22	88	105	87	118	140	165	192	213
Other Current Assets	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Total Current Assets	**1.332**	**1.082**	**1.652**	**2.256**	**3.737**	**5.335**	**7.081**	**9.043**	**9.551**	**9.930**	**12.342**	**14.525**	**16.990**	**20.726**
Net PP&E	15	20	24	90	160	201	322	365	387	391	399	414	436	476
Other Non-Current Assets	29	35	185	263	261	239	217	160	142	160	160	160	160	160
Goodwill	–	–	–	–	–	–	–	–	–	(22)	(22)	(22)	(22)	(22)
Total Assets	**1.376**	**1.137**	**1.860**	**2.609**	**4.158**	**5.776**	**7.620**	**9.568**	**10.080**	**10.459**	**12.880**	**15.078**	**17.565**	**21.340**
Accounts Payable	2	4	7	9	8	9	20	14	187	84	100	118	137	152
Short Term Debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other Current Liabilities	1.054	739	1.224	1.568	2.722	3.733	4.961	6.222	6.132	6.025	7.392	8.260	9.094	10.867
Total Current Liabilities	**1.057**	**742**	**1.230**	**1.578**	**2.730**	**3.742**	**4.981**	**6.236**	**6.319**	**6.109**	**7.492**	**8.378**	**9.231**	**11.019**
Long Term Debt	–	–	–	–	–	–	–	–	–	–	–	–	–	–
Other non-current Liabilities	4	5	48	113	210	224	223	182	185	182	182	182	182	182
Total Liabilities	**1.061**	**747**	**1.278**	**1.691**	**2.940**	**3.965**	**5.204**	**6.418**	**6.504**	**6.291**	**7.674**	**8.560**	**9.413**	**11.201**
Total Equity	**315**	**390**	**582**	**918**	**1.218**	**1.810**	**2.416**	**3.151**	**3.576**	**4.169**	**5.206**	**6.518**	**8.152**	**10.139**
Total Liabilities and Equity	**1.376**	**1.137**	**1.860**	**2.609**	**4.158**	**5.776**	**7.620**	**9.568**	**10.080**	**10.459**	**12.880**	**15.078**	**17.564**	**21.340**

BALANCE SHEET DRIVERS														
	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	LTM	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Accounts Receivable % Rev.						*70%*	*35%*	*39%*	*39%*	*39,0%*	*39,0%*	*39,0%*	*39,0%*	*39,0%*
Inventory % COGS						*9%*	*23%*	*17%*	*13%*	*14,0%*	*14,0%*	*14,0%*	*14,0%*	*14,0%*
Other Current Assets % Rev.						*0%*	*0%*	*0%*	*0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*	*0,0%*
Accounts Payable % COGS						*4%*	*5%*	*2%*	*27%*	*10,0%*	*10,0%*	*10,0%*	*10,0%*	*10,0%*
Other CL % Revenues						*373%*	*373%*	*383%*	*339%*	*300,0%*	*300,0%*	*275,0%*	*250,0%*	*250,0%*
Book Value / Share						5848%	7797%	10153%	11514%					
TBV / Share						5816%	7771%	10125%	11486%					
Total Debt						143	203	223	232					

INDICATORS

	FY2016A	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A	FY2022A	FY2023A	LTM	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Margins														
Gross Profit Margin	69%	70%	75%	77%	74%	76%	71%	62%	62%	58%	59%	61%	62%	65%
EBITDA Margin	47%	45%	52%	59%	58%	63%	54%	47%	48%	43%	48%	52%	55%	60%
EBIT Margin	45%	43%	50%	55%	55%	59%	50%	42%	43%	40%	45%	49%	52%	57%
Net Income Margin	59%	33%	38%	44%	38%	47%	42%	43%	46%	43%	35%	38%	40%	43%
Free Cash Flow Margin	-20%	-34%	-25%	-5%	-54%	-86%	-72%	-34%	-50%	11%	80%	57%	54%	75%
Profitability														
Return on Assets	9%	6%	9%	10%	8%	9%	8%	8%	8%	9%	7%	8%	9%	10%
Return on Equity	35%	20%	27%	31%	24%	31%	27%	25%	25%	23%	18%	19%	20%	21%
Return on invested capital	6%	6%	9%	10%	9%	10%	8%	6%	6%	6%	7%	8%	9%	9%
Growth														
Operational Roic	12%	15%	31%	31%	26%	37%	46%	43%	45%	43%	53%	61%	69%	78%
NOPAT Margin	37%	33%	39%	44%	44%	48%	39%	31%	32%	30%	33%	36%	39%	42%
Capital turnover	0,3x	0,5x	0,8x	0,7x	0,6x	0,8x	1,2x	1,4x	1,4x	1,4x	1,6x	1,7x	1,8x	1,8x
Reinvestement rate (5%)	42%	34%	16%	16%	19%	13%	11%	12%	11%	12%	9%	8%	7%	6%
Reinvestement rate (10%)	83%	67%	33%	32%	38%	27%	22%	23%	22%	23%	19%	16%	15%	13%
Liquidity														
Current Ratio	1,3x	1,5x	1,3x	1,4x	1,4x	1,4x	1,4x	1,5x	1,5x	1,6x	1,6x	1,7x	1,8x	1,9x
Quick Ratio (Acid Test)	1,3x	1,5x	1,3x	1,4x	1,4x	1,4x	1,4x	1,4x	1,5x	1,6x	1,6x	1,7x	1,8x	1,9x
Activity														
Asset Turnover	0,1x	0,2x	0,2x	0,2x	0,2x	0,2x	0,2x	0,2x	0,2x	0,2x	0,2x	0,2x	0,2x	0,2x
DSO	1.005	716	317	303	389	303	160	124	135	129	129	130	130	131
DPO	14	17	21	24	18	13	14	10	54	59	34	34	34	35
DIO	17	20	25	22	27	31	53	57	51	48	47	47	47	49
Cash Conversion Cycle	1.008	720	321	302	398	322	199	170	133	118	143	143	144	145
Leverage														
Debt to Equity	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x
Debt to Capital	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x
Debt to free cash flow	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x
Debt / EBITDA	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x	0,0x
Coverage														
Interest cover Ratio	312,3x	119,7x	113,9x	63,6x	39,7x	46,5x	55,6x	142,6x	47,7x	-	-	-	-	-

VALUATION

Weighted Average Cost of Capital	
Risk free rate (Rf)	2,96% (1)
Country risk premium	0,30% (2)
Equity risk premium (Rm - Rf)	4,38% (3)
Equity Beta	1,18 (4)
Cost of Equity (Ke)	8,41%
Cost of debt	6,33% (5)
Tax rate	21,14%
After-tax Cost of Debt (Kdt)	4,99%
Capital Structure	0
Equity	99%
Debt	1%
Weighted Average Cost of Capital	8,39%

(1) Based on the current DE5y

(2) W.average of CRPs according to the revenue divided by geographical area

(3) W.average of ERPs according to the revenue divided by geographical area

(4) Based on a 5 year weekly correlation with the S&P 500

(5) Based on weighted average historical cost of debt

Discounted Cash Flow		Projected				
Amounts in millions, except per share amount	Units	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
EBIT	€	808	1.105	1.467	1.906	2.487
% YoY Growth	%	18%	37%	33%	30%	30%
Taxes	€	(298)	(300)	(394)	(507)	(657)
Tax Rate/Ebit	%	37%	27%	27%	27%	26%
NOPAT	€	**510**	**804**	**1.073**	**1.399**	**1.830**
+ Depreciation and Amortization	€	56	68	82	97	113
D&A % of Revenues		2,8%	2,8%	2,7%	2,7%	2,6%
± Changes in working capital	€	(292)	1.184	650	578	1.491
% YoY Growth current Assets		10%	24%	18%	17%	22%
% YoY Growth current Liabilities		-2%	23%	12%	10%	19%
– Capital expenditures	€	(60)	(76)	(96)	(120)	(152)
Capex % of Revenue		3%	3%	3%	3%	4%
Unlevered Free Cash Flows	€	**214**	**1.980**	**1.709**	**1.954**	**3.281**
Discount rate	%	8,39%	8,39%	8,39%	8,39%	8,39%
Discount period		0,1	1,1	2,1	3,1	4,1
Discount factor		0,99	0,92	0,85	0,78	0,72
Present Value of Unlevered Free Cash Flow	€	**212**	**1.814**	**1.445**	**1.524**	**2.361**

DCF Value - Perpetuity Growth	
NPV of UFCF 2024 - 2028	7.357
PV of Terminal Value	40.122
Implied Enterprise Value	**47.478**
Less: Debt	232
Add: Cash	8.735
Add: short-term investments	20
Implied Equity Value	56.002
Diluted shares	31
Implied Value Per Share	1.796,07

Method	**Weight**
Exit Multiple	20%
Perpetuity growth rate	80%

	Perpetuity growth Rate					
Wacc	1.827	2,00%	2,25%	2,50%	2,75%	3,00%
	7,9%	1848,26	1790,73	1790,73	1848,26	1979,33
	8,1%	1922,22	1859,15	1859,15	1922,22	2066,78
	8,4%	1922,22	1859,15	1859,15	1922,22	2066,78
	8,6%	1848,26	1790,73	1790,73	1848,26	1979,33
	8,9%	1717,81	1669,47	1669,47	1717,81	1826,80

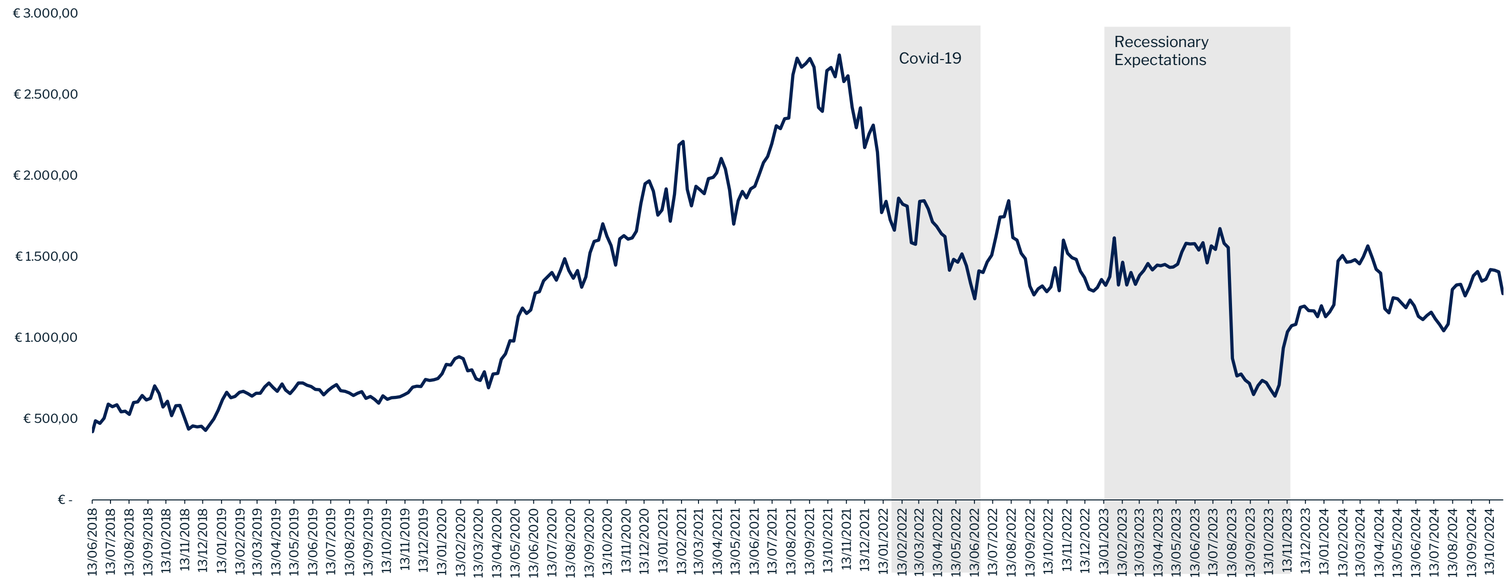
	Exit Multiple					
Wacc	1.673	18,9x	19,2x	19,4x	19,7x	19,9x
	7,9%	1667,68	1652,39	1652,39	1667,68	1698,24
	8,1%	1680,14	1664,71	1664,71	1680,14	1711,00
	8,4%	1680,14	1664,71	1664,71	1680,14	1711,00
	8,6%	1667,68	1652,39	1652,39	1667,68	1698,24
	8,9%	1643,17	1628,17	1628,17	1643,17	1673,16

RELATIVE VALUATION

Enterprise Value Multiples						
	LTM	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
EV / Revenue	19,1x	17,3x	14,1x	11,5x	9,5x	8,0x
EV / Ebitda	39,8x	40,1x	29,6x	22,4x	17,3x	13,3x
EV / Ebit	44,4x	42,9x	31,4x	23,6x	18,2x	13,9x

Equity Value Multiples						
	LTM	FY2024E	FY2025E	FY2026E	FY2027E	FY2028E
Price / Sales	23,9x	21,5x	17,5x	14,4x	11,9x	9,9x
Price / Earnings	52,3x	50,4x	50,0x	38,1x	29,6x	22,9x
Price / BV	12,1x	10,4x	8,3x	6,6x	5,3x	4,3x
Price / UFCF	-47,7x	201,9x	21,8x	25,3x	22,1x	13,2x

Trading Comparables	Equity	Enterprise	Ev / Sales		Ev / Ebitda		Price / sales		Price / Earnings		Price / Book	Price / UFCF	
Company	Value	Value	LTM	NTM	LTM	NTM	LTM	NTM	LTM	NTM	LTM	LTM	NTM
Paypal	86.048	87.387	2,8x	2,7x	14,3x	13,0x	2,7x	2,6x	20,4x	18,3x	4,3x	21,9x	13,3x
WEX inc.	7.124	7.425	2,8x	2,8x	7,9x	6,1x	2,7x	2,7x	22,7x	11,0x	4,3x	9,4x	15,5x
Mastercard	479.007	485.836	17,8x	15,9x	29,0x	25,6x	17,6x	15,7x	39,5x	33,2x	64,5x	34,8x	31,9x
Visa	606.814	614.474	17,4x	15,8x	24,9x	22,4x	17,4x	15,7x	29,4x	25,2x	13,5x	36,4x	27,1x
American Express	220.084	1	3,3x	2,8x			3,3x	2,8x	20,3x	20,1x	6,5x		
Fiserv	119.996	144.814	5,7x	5,7x	13,6x	12,1x	4,5x	4,4x	27,9x	16,6x	3,0x	24,3x	17,8x
Equity Value	27.453	27.580	25.416	23.492	25.416	23.492	18.340	18.363	23.699	19.764	70.724	(9.244)	12.449
Diluted shares	31	31	31	31	31	31	31	31	31	31	31	31	31
Implied Share price	880	885	815	753	815	753	588	589	760	634	2.268	(296)	399
					0	0	0	0	0	0	0	0	0
High	1.310	1.297	1.083	982	1.083	982	1.022	1.009	1.045	910	7.430	(386)	573
Low	435	444	494	443	494	443	156	168	536	303	349	(100)	240



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