Worldline is Partly to Blame for Its Stock's Sudden Collapse

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Like a thunderclap, on Oct. 25 the stock price of continental Europe's biggest payment processor, Worldline, plummeted 59%. It's down a whopping 88% from its high in April 2021. Macroeconomic conditions are to blame, but so are Worldline-specific factors.

The reign of easy money is over. Easy money inflates valuations. Valuation multiples of most payments companies, and of the market writ large, have, therefore, come down. The S&P 500 is down 12.2% from its high on Dec. 21, 2021. Worldline and many other ballyhooed payment-processing giants have fared worse.

Worldline reduced its 2023 guidance from 8%-to-10% organic revenue growth to 6%-to-7%. It cited a slowdown in Germany and a retreat from serving higher-risk—and often more profitable—merchant sectors. And its financial-services business is shrinking.

Worldline never generated sizzling organic growth, like, say, Adyen or Block. It’s an industrial-strength payment processor and a consolidation machine whose forte has been acquiring payments processors to increase scale, extend its delivery footprint, and enrich its product suite.

Similarly, processing behemoths Fiserv, FIS, Global Payments, and Nexi are part of the wave of fintech consolidation, with each trumpeting compelling revenue and cost synergies on acquiring First Data, Worldpay, Total Systems, and Nets, respectively. But that narrative is starting to fray. Worldline sold off its POS terminal business to **Apollo Global Management**, and FIS is spinning out Worldpay.

Worldline management has been fluent about buying companies and slowly rationalizing operations and delivery systems to achieve efficiencies and better economies of scale. It hasn’t, however, demonstrated prowess in generating organic growth and realizing revenue synergies across its issuer-processor, payment-network, merchant-acquirer and -processing, and POS systems businesses, all of which touch transactions across the payments value chain.

Its more narrowly focused competitor, Adyen, by contrast has eschewed acquisitions and enjoyed enviable organic growth. Nonetheless, high-flying Adyen’s nose-bleed valuation has been hit by the same macro-economic conditions and company-specific issues. Its large, unexpected growth miss in the first half rattled markets. Its stock price is down 77% from its high in August 2021.

Nevertheless, the Dutch processing phenom is still growing faster than the market. Worldline isn’t. Investors were thinking about Adyen in a similar vein to global payment networks Mastercard and Visa, but Adyen doesn’t enjoy the same network effects and its moat isn’t nearly as deep or wide. It’s a processor. Mastercard and Visa enjoy significant pricing power. Adyen, not so much.

Storied processors Global Payments, FIS, and Nexi are down 51%, 68%, and 71%, respectively, from their peaks. Fiserv has performed better, down 8.9% from its high. And global payment networks Mastercard’s and Visa’s stock prices are only down 6.6% and 4%, respectively.

Private-equity firm CVC is reported to be looking at taking Nexi private. Worldline’s depressed market valuation and growth challenges are an invitation for private equity.

Notwithstanding market turbulence and a higher cost of capital, the global payments industry remains healthy. Services bundled with payments generate sustainable recurring revenue. And growth drivers are strong.