

by Joel Van Arsdale and Elisabeth Magnor, 9 December 2021

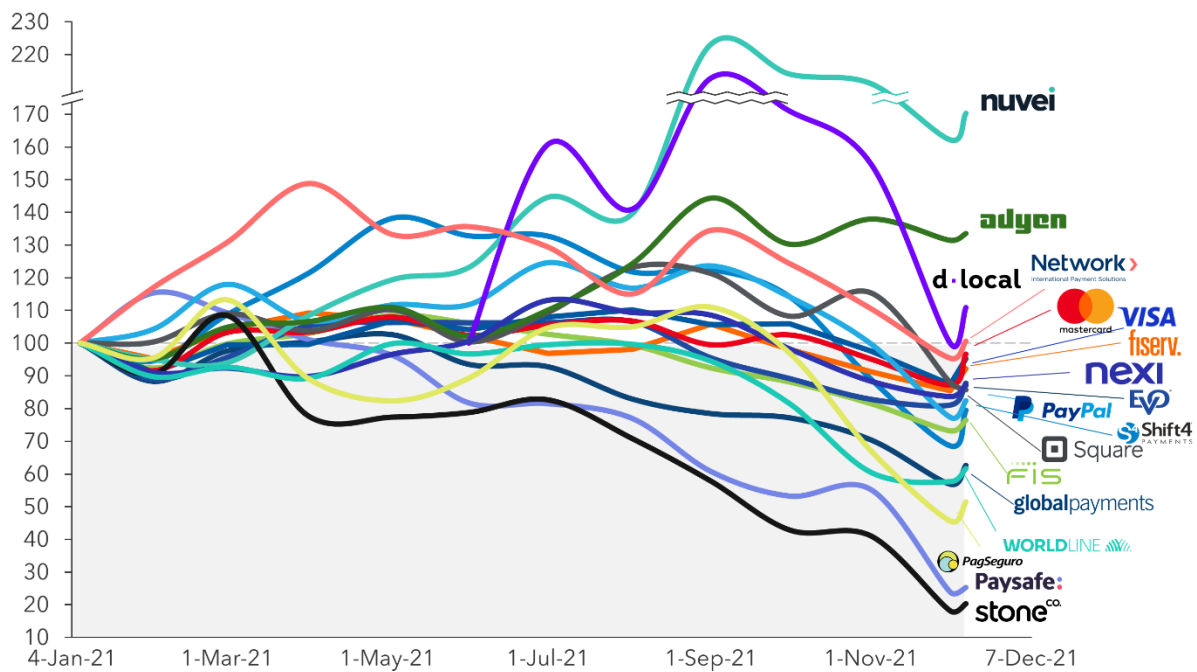
Payment Stocks Experience a Rough 2H, Look to Rebound

Payment stocks were the darling of global public equity markets during the height of the pandemic in 2020. Payment companies, particularly those oriented to digital commerce, proved resilient, even during a pandemic. This wave of momentum in public equity valuations peaked earlier this year, however. Since then, most (not all) payments stocks have declined materially in value (noting that fortunes have improved for the sector in recent days).

As shown in Figure 1, on average payment stocks declined -20% from 1 Jun until 7 December 2021. Only three of the 18 stocks in our sample, Adyen, Nuvei, and d-Local increased in share value between 1 June and 7 December (although d-Local shares had a rough recent month). The remaining payment stocks in our sample declined at a weighted average rate of -23% from 1 June to 7 December. This compares to a +11% increase for the S&P 500 and +14% increase for the Nasdaq indexes.

As highlighted in Figure 2, valuation multiples for many payment companies have come back to Earth and some can even now be considered good value relative to the S&P 500 (with a forward P/E of 21.4). As shown in Figure 2, a handful of payment companies continue to outperform and benefit from growth-driven multiples and strong profitability. It seems that the days of a 'rising tide floating all boats' in payment equities is over, but top performers continue to be rewarded with high valuations from public shareholders.

FIGURE 1: Share Performance of Individual Equities (indexed to 100 from 1 Jan 2021)



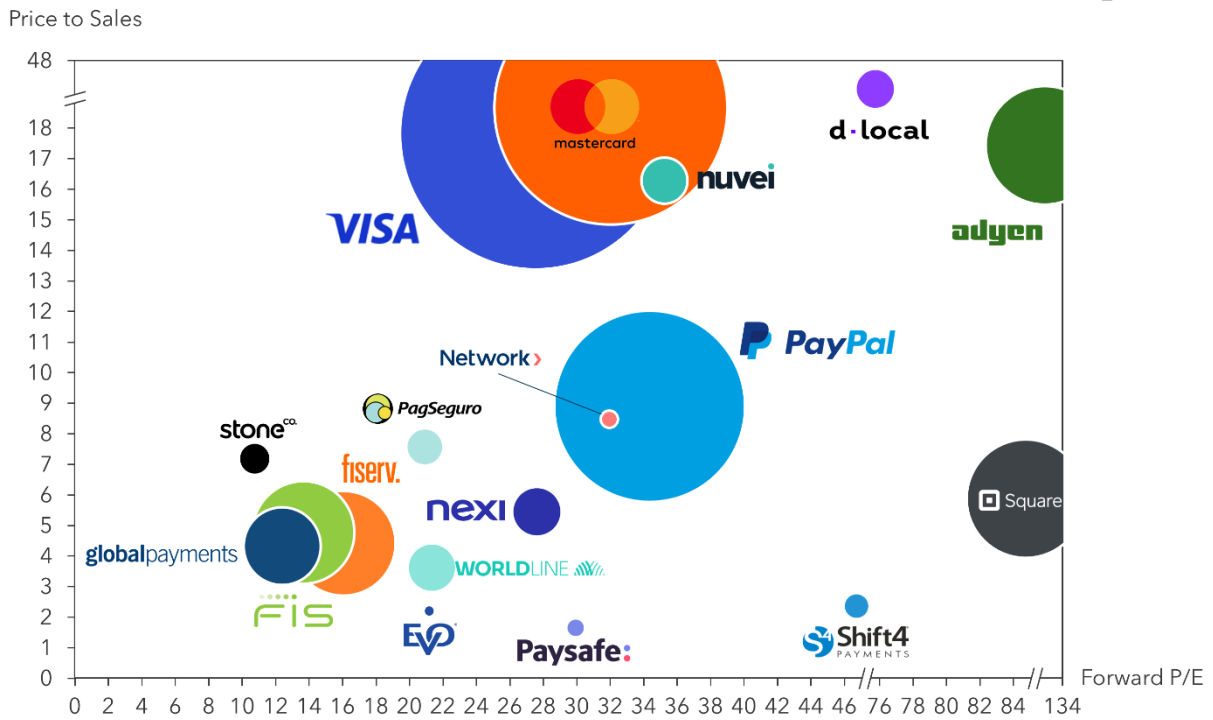
% change in equity price from 1 Jun - 7 Dec 2021:

nuvei	fiserv.	PayPal	PagSeguro
adyen	nexi	FIS	Paysafe:
d-local	Square	globalpayments	stone^{co.}
mastercard	EV	WORLDLINE	Nasdaq
VISA	Network	Shift4 PAYMENTS	S&P500

Note: Indexed to 100 on 4 Jan 2021, d-Local started trading 3 June 2021

Source: Yahoo! Finance

FIGURE 2: Price to Sales and Forward P/E Ratio (bubble size = market cap)



Note: Price to sales ratio for trailing twelve months
 Source: Yahoo! Finance, Wall Street Journal (forward P/E for S&P 500)

Please do not hesitate to contact Joel Van Arsdale at Joel@FlagshipAP.com for comments or questions.