

## Planet Payment Inc.

PPT : AIM : 45p

**BUY** ↑  
**Target: 80p** ↓

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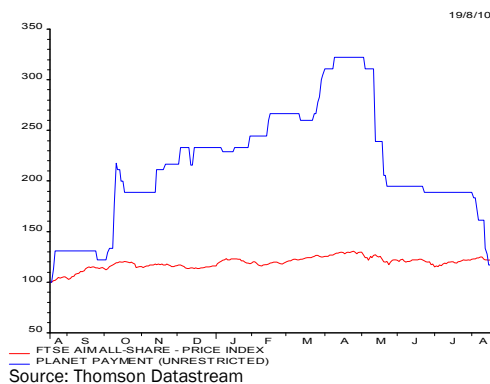
### COMPANY STATISTICS:

52-week Range: 51.0p - 145.0  
YTD Price Change %: 5.0  
Avg. Daily Vol. (000s): 34  
Shares Out: 39.2  
Market Cap: £15.2

### EARNINGS SUMMARY:

FYE Dec (US\$m)	2009A	2010E	2011E
Revenue:	47.3	66.6	78.0
Gross profit:	16.3	21.8	25.2
EBITDA:	0.5	3.3	5.7
Op Income:	-2.6	0.4	2.7
Pre-tax Profit:	-3.8	-0.8	1.3
EPS:	-0.12	-0.02	0.03
Distributable Cash:	3.8	2.8	5.8
Net cash (debt):	-9.0	-9.6	-6.3
EV/EBITDA (x):	68.5	13.1	7.9

### SHARE PRICE PERFORMANCE:



### COMPANY SUMMARY:

Planet Payment is a multi-currency payment and data processor, enabling processors, acquiring banks and their merchants to accept, process and reconcile credit card transactions in multiple currencies, allowing cardholders to view prices and settle transactions in their native currency. This transaction model provides significant financial incentives to Merchants and Acquiring Banks for utilising the service.

\*Non-independent research

All amounts in p unless otherwise noted.  
Share price data intraday 19 August 2010.

### Technology -- Internet Solutions -- Internet

## MARKET CONSOLIDATION

Recent acquisition activity highlights the strategic and financial value of payment processing businesses. Over only the past six months, Visa acquired Cybersource; Mastercard acquired DataCash, Welsh, Carson, and Anderson & Stowe; a US private equity firm acquired the majority share in GlobalCollect and Advent International; another private equity firm acquired WorldPay from RBS.

Planet Payment is also a payment processor, with a specialisation in multicurrency conversion transactions. Planet Payment has a processing business that we expect to generate US\$14 million in sales this year. (DataCash was expected to report US\$65 million (£42 million) of revenue this year.) In addition, Planet Payment has a more profitable multicurrency processing business that brings its expected total revenue this year in line with DataCash.

Planet Payment could potentially make an attractive acquisition candidate: It offers a niche service that could be neatly integrated into a broader payment processing suite, has high exposure to high growth emerging markets and offers a highly leverage-able, high capacity processing platform.

### Valuation

Both Planet Payment and DataCash were trading at 7.9 times 2011E EV/EBITDA prior to DataCash's acquisition but Planet Payment offers much higher growth. While DataCash is forecast to grow sales 13% in 2010, Planet Payment is expected to grow 41% this year. DataCash was acquired by Mastercard at 12.8 times 2011E EV/EBITDA.

At the H1 results in July, Planet maintained its outlook for the full year, but shares have fallen by half over the past three months, partly due to low stock liquidity. We see this as a buying opportunity and upgrade our recommendation from Hold to BUY. We lower our DCF based target price to 80p (previously 120p) to reflect ongoing regulatory and refinancing risk in the business but see potential for upside as the company make progress on these issues.

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**Investment risks**

While we believe Planet Payment has reached important operational milestones and its business model is maturing, quarterly revenue can still be volatile. In particular, revenues depend on its partners' rollout of its systems and end customer volumes that are dependent on the broader retail environment.

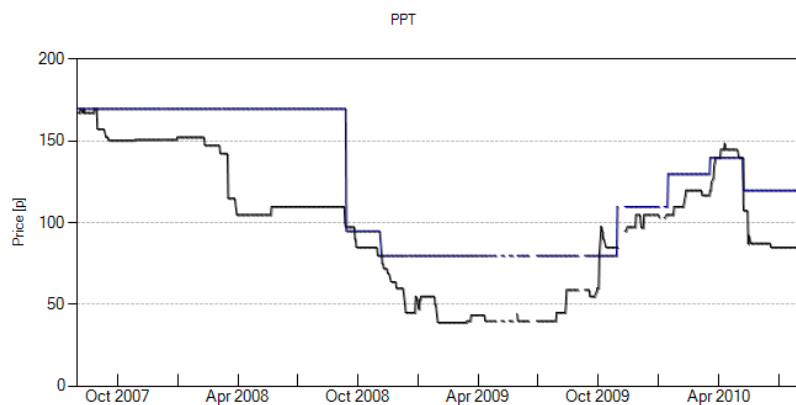
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**Price Chart:\***

Market Price		Target Price							
Date	Analyst	Rating	Target Price	Date	Analyst	Rating	Target Price		
1) 09/25/2008	Liao	Hold	95.00	5) 11/05/2009	Liao	Buy	110.00		
2) 11/17/2008	Liao	Hold	80.00	6) 01/20/2010	Liao	Buy	130.00		
3) 03/31/2009	Liao	Speculative Buy	80.00	7) 03/24/2010	Liao	Buy	140.00		
4) 08/20/2009	Liao	Buy	80.00	8) 05/13/2010	Liao	Hold	120.00		

\*Price charts assume event 1 indicates initiation of coverage or the beginning of the measurement period.

**Distribution of Ratings:**

Global Stock Ratings  
(as of 3 August 2010)

Rating	Coverage Universe		IB Clients	
	#	%	#	%
Buy	412	60.1%	37	37.1%
Speculative Buy	77	11.2%	41	64.9%
Hold	187	27.3%	19	19.8%
Sell	10	1.5%	0	0.0%
	686	100.0%		

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Planet Payment Inc.	1A, 2, 3, 4, 5, 7

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