Worldpay, post-RBS, courts Australia in fast-growing payments space

U.K. payment processing firm Worldpay, readying itself to move off Royal Bank of Scotland Group Plc's systems, is in expansion mode.
Former parent RBS was forced by the EU to dispose of Worldpay following the former's 2008 bailout, with U.S. private equity firms Advent International Corp. and Bain Capital LP purchasing a majority stake in 2010 for about £700 million, and the remainder for £160 million several years later. In 2015, the business was floated on the London Stock Exchange.
Worldpay CEO Philip Jansen has said the process of moving off RBS' systems and on to a new specially built server will be completed by summer 2017. So far the firm has spent £450 million on the new payments platform, which will be able to process up to 20x more transactions, according to its annual report.
The London-based firm provides businesses with in-store, online, telephone and mobile device checkout services. At a time of increasing global online payments, Worldpay is pushing into new markets where growth is especially pronounced. In April 2014 it bought Sao Paulo's Cobre Bem Tecnologia for an undisclosed amount, to bolster its footprint in Brazil, Argentina, Colombia, Chile and Mexico. In August 2015 it added to an existing Japanese payment license with one in Australia, as it seeks more Asia-Pacific exposure.
A McKinsey report indicates that Asia-Pacific added about $75 billion in payments revenues in 2014, accounting for more than 50% of the industry's revenue growth worldwide. Latin America, up 22% in 2014 to $200 billion, is another growth cauldron. In North America and the EU growth is more modest, at 4% and 2%, respectively.
"Worldpay should be successful with its entry into the Australian market," Vasily Bernstein, a payments expert at technology consultancy DataArt, said in an interview. He said the company should look to acquire a local payments processer there.
"This will allow the firm to circumvent the need to develop processes that meet existing regulations, as the acquired firm will have already met those standards," he said.
Dan Hooper, managing director at software testing firm Piccadilly Group, also stressed that different regulators are the "key piece" for Worldpay and competitors seeking to branch into new markets — and that "everyone is looking to get their finger in the pie in Australia."
U.S. tech giant Apple is seeking to introduce its own Apple Pay payment system into the Australian market, and has encountered resistance from three of the country's largest four banks, ABC.net.au reported.
Commonwealth Bank of Australia, Westpac Banking Corp. and National Australia Bank Ltd., along with Bendigo and Adelaide Bank, asked the country's regulator for permission to negotiate

collectively with Apple, or boycott it. Australia & New Zealand Banking Group Ltd., meanwhile, has signed up for Apple Pay.

Worldpay finds itself in a robust financial position as it taps new markets. In the first half, net revenue growth beat analyst expectations, with Credit Suisse analyst Charles Brennan writing in an Aug. 9 note that growth in the eCom segment was 25%, "reflecting decent growth with existing customers and new customer wins." Barclays analyst Gerardus Vos, in an Aug. 10 note, said the results show Worldpay has "stepped up the execution and built confidence."

S&P Global Ratings, affirming its BB long-term corporate credit rating on the firm on Sept. 1, predicted that Worldpay will continue to post high-single-digit revenue growth over the coming year, although it said EBITDA margins and CapEx will be constrained by the migration of customers to its new platform.

Worldpay CFO Rick Medlock did concede that the company is benefiting from a weakness in sterling, when translating foreign-denominated revenues into U.K. results. The pound has fallen against other global currencies since Britain voted in June to leave the EU.

In an interview, a company spokesman attributed Worldpay's performance to the private equity investment, saying the business had been transformed and "really isn't recognizable today."

In a payments space particularly ripe with M&A since 2010, Worldpay has been active. It was joint second in acquisition activity among payment companies between 2010 and 2015, after PayPal, according to CB Insights. Some have targeted particular regional footprints, like Brazil's, though most have aimed at particular technologies, like Zinc in June 2013 for its chip and PIN capability.

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