



adyen



Adyen

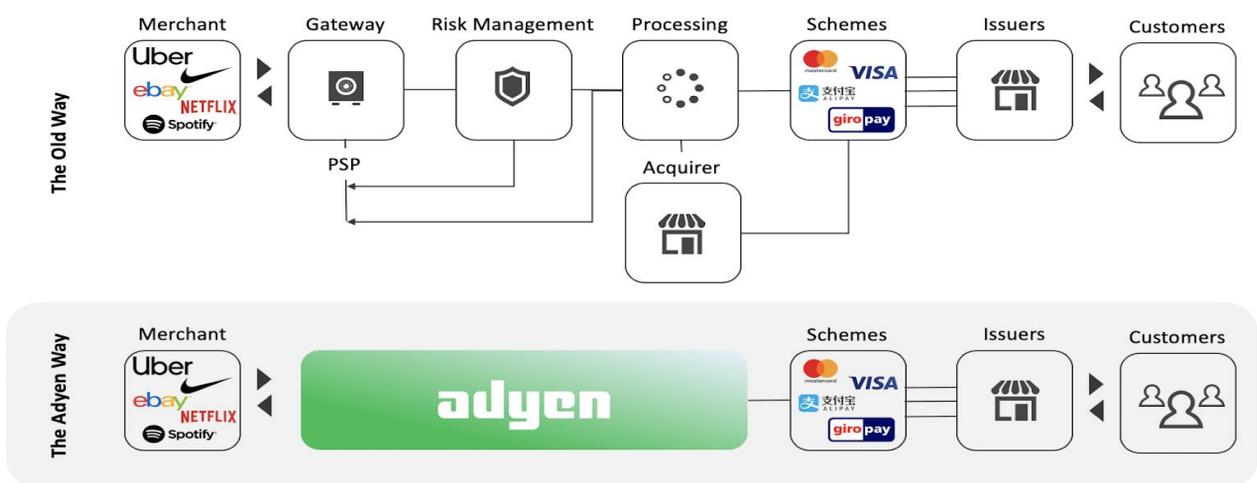
The One-Stop-Shop Online Payments System



As multinational companies embrace omni-channel sales strategies and enter global markets, they must ask themselves the following question: how will we accept payment?

Take Nike — an omni-channel firm selling products around the world. Nike’s global Point-of-Sale (POS) system is fragmented among many intermediaries. As such, they face two primary issues:

- Different payment gateways, service providers, acquirers, and processors. This structure inherently increases costs as fees are paid to each intermediary in the process. Additionally, it is challenging to create a single view of their customer since they must consolidate payment data from brick-and-mortar, online, and mobile providers; and
- Consumer payment preferences around the world differ, meaning Nike must work with a new set of intermediaries for every different geography and form of payment the customer would like to use (e.g., Visa, Alipay, Giropay). This complex, global distribution channel means more vendor contracts, more system and process integrations, and ultimately, higher costs.



Adyen helps merchants manage complexity in payments as they transact across more than one country or channel. The company is fulfilling a badly unmet global need and has a huge opportunity. The majority of its staff are engineers who are continually focused on building new features. This is different to Adyen's competitors, and it allows them to improve their offering at speed. The company is run by two founders who are long-term focused and consciously creating a culture to motivate their staff. Adyen requires only one system, one process integration, and one contract for a multinational enterprise to serve customers in 150+ countries and to accept 200+ methods of payment.

What makes Adyen an interesting investment proposition?

The replacement of cash continues. A vast opportunity in the €35 trillion global payment market, of which Adyen process a few hundred billion. Increasing payment complexity (multiple geographies and multiple digital channels) makes Adyen increasingly indispensable and scale matters. We believe this will be a consolidated market. Assuming that the €35trn market is divided between 3 players (though today, Adyen and Stripe are the only Western contenders), this equates to €11.5trn to Adyen with blended take rate steady at 20bps giving €23bn net revenue. Net margins steady at 40% => c. €9bn of earnings vs. a few hundred million today.

Competitive Pricing

The company grosses less than 1% of every dollar processed, far below the 2% to 3% that Worldpay, PayPal and Stripe make.

	Adyen	PayPal	Stripe	Worldpay
Price	Interchange plus + 0.12USD	2.9% + 0.30 USD (in US); 4.4% + fixed fee based on currency (outside US)	2.9% + 0.30 USD	2.75% + £0.20
# of Transactions (Billions)	3.7	7.6	NA	40
Total Transaction Volume (\$Billions)	130	451	50	1500
Countries	100+	200+	26	146

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