

October 8th 2019

Part 3: Innovation or Integration?

Today, we expect Wirecard to try to draw investors' attention to "Innovation at Google" and "Smart Cities", instead of explaining why in 2.5 years they have not been able to migrate the volumes acquired from Citi in Asia in 2017 onto their own processing platform.

A reminder of some of the key focuses of the past analyst days:

- 2012: Wirecard Card Reader
- 2014: Bijlipay case study; Bluetooth Low-Energy Beacons.
- 2016: Connected.POS – the Cloud for Retailers. Boon!
- 2017: Smart Data & the Omnichannel analytics suite
- 2018: Voice Commerce & the Blockchain
- 2019: Google? Smart Cities?

Have any of these generated any material revenues?

Instead of a focus on "innovation", we conclude this series of questions with a deeper look at the ongoing issues of the integration of the Citi Asia merchant acquiring portfolios (Project Aslan). These issues raise substantial concerns about the long-term viability of the business in Singapore and have been brushed aside by Wirecard.

Wirecard's Citi Asia acquisition, their largest acquisition to date, is faltering. Analysts should focus on the known: **what is really happening with Project Aslan and why?**

Vision 2025 - more appropriately named Fantasy 2025 - is a pipe dream meant to distract from the true goings-on in the business.

Analysts should not rely on Wirecard's Vision 2025 when they cannot produce simple audited financials for its subsidiaries in a timely fashion.

Project Aslan

Wirecard's acquisition of 11 Citi Asia merchant-acquiring customer portfolios was first announced to investors in March 2017, and Citi gave a final deadline to Wirecard of 31st December 2019 to transition all merchants onto the Wirecard platform before Citi shut down their processing business.

In August 2019¹, Wirecard confirmed that only 7 of the 11 countries have actually been acquired thus far, but also claimed that all acquired customers would be migrated from Citi by 2020.

Recent conversations with people close to the matter suggest that **not a single country has been converted onto the Wirecard platform** due to technical challenges with the integration. Can Wirecard tell investors what has caused these delays? What is the plan to convert seven different countries by the end of the year? What happens to the remaining four countries?

When Wirecard first announced the acquisition, the closing was "due to be completed in multiple stages up to June 2018"². The first year after all were planned to be closed (2019) was due to see a

¹ Wirecard 2Q19 interim statement

² Wirecard 3Q17 interim statement

significant uplift in margins as they shifted customers onto the Wirecard platform. But this schedule has slipped by over a year – can Wirecard give investors a full and transparent update?

Three months to finalise this work seems a challenge after two and a half years of inaction. What are the consequences to Wirecard if the deadline is missed?

Wirecard's most recent public filing (the September bond prospectus) flagged "a risk of a delay in the technical integration and migration" of the Citi portfolio, and stated that allegations in Singapore are likely to cause delays to achieving individual licenses³. Are these the allegations the police are investigating, and are these causing issues for Wirecard with the Monetary Authority in Singapore as well as the Commercial Affairs Department?

Singapore's new Payment Services Act comes into force on the 1st of January. Will Wirecard get a license while the CAD investigation is still pending?

In addition, we have heard from people close to the matter that several major Singapore customers, including Singapore Airlines and The Four Seasons, have moved away from or dropped Wirecard recently for all cross-border transactions, making this business even less viable. Is this true? What volumes has Wirecard lost from large international customers?

Key questions:

- Is Wirecard going to meet Citi's 31st December 2019 deadline for the transition of all processing businesses? What are the consequences if not?
- What percentage of Citi volumes acquired have been transferred over onto Wirecard processing?
- Why have only 7 of the 11 countries mentioned been acquired by Wirecard?
- Will operations be forced to cease in Singapore if Wirecard fails to gain a license under the new Singapore Payment Services Act coming in to force in three months' time?

³ Wirecard bond prospectus – 11/9/19