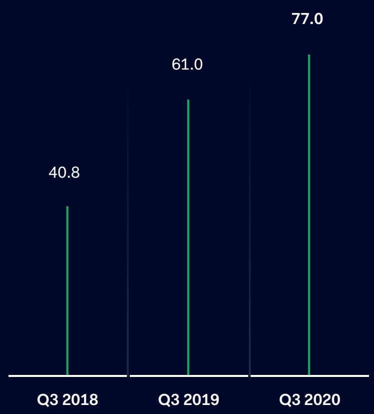
Q3 2020 and COVID-19 Trading Update

adyen

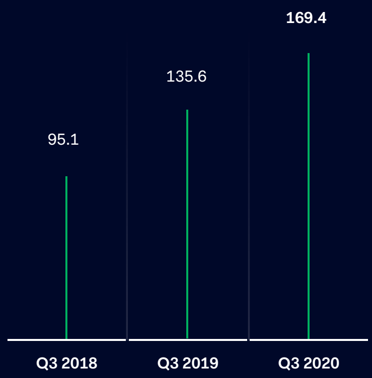
Q3 2020



Processed volume

€77.0 BN

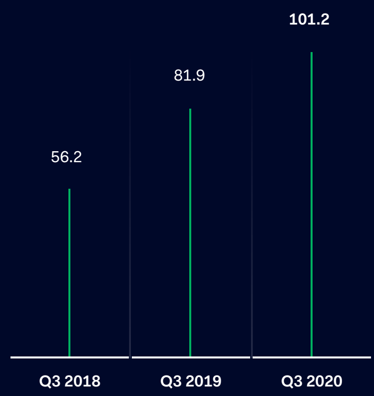
↗ 26% YOY



Net revenue*

€169.4 MN

↗ 25% YOY



EBITDA*

€101.2 MN

↗ 24% YOY
EBITDA MARGIN 60%

* Historical figures have been adjusted since prior publications of results, as explained on page 6.

"The Trading Update in Q1 of this year may have been a little out of character for us, with our half-yearly reporting intervals lining up well with our long-term outlook. However, the COVID-19 pandemic still dominates lives and businesses across the globe. Therefore, we feel it's appropriate to also provide more color around the evolution of volumes for Q3 — with some regions now back-to-business, and others still experiencing stricter measures. Our focus continues to be on helping our merchants navigate this pandemic and its impact on society."

Ingo Uytdehaage
CFO

Summary

- Processed volume for the period was €77 billion, up 26% YOY, as the rebound in volumes following the initial dip when COVID-19 first impacted economies in early March continued (see Figure 1).

- The travel vertical (i.e. airlines, online travel agencies and accommodation) saw a minor rebound during the northern hemisphere summer, primarily due to the easing of lockdown restrictions across Europe. Volumes stabilized following this initial spike and remained significantly above early Q2 levels (see Figure 1).

- In the retail vertical, in-store volumes rebounded to pre-COVID-19 levels in Q3 and were stable over the period even though many merchants were still not operating at full capacity. We saw the uptick in online volume that followed initial brick-and-mortar store closures persist, with ecommerce growing unabated despite recovering in-store volume. The ramp-up of eBay volumes is included in this vertical (see Figure 2).

- We continue to onboard merchants to the platform at our regular speed, and have a similarly robust pipeline. With lockdown restrictions being lifted in some geographies, we saw projects that previously suffered from COVID-related delays taken live in Q3.

- Net revenue was up 25% year-on-year in Q3 2020. Q3 take rate decreased slightly year-on-year to 22 bps. Take rate continues to not be a driver for us, as we focus on onboarding volume at scale. Historical figures have been adjusted since prior publications of results, please see page 6. This also applies to the EBITDA and free cash flow conversion figures stated below, although cash balances are unaffected.

- EBITDA margin was at 60% for the period. EBITDA margin was impacted by an increase in operating expenses relative to net revenue as we continue to invest in building Adyen for the long-term — both in hiring and in marketing.

- Free cash flow conversion ratio was 95% in the quarter, with CapEx remaining below 5% of net revenue.

Figure 1

Weekly processed volume and weekly travel volume indexed to the first week of January.

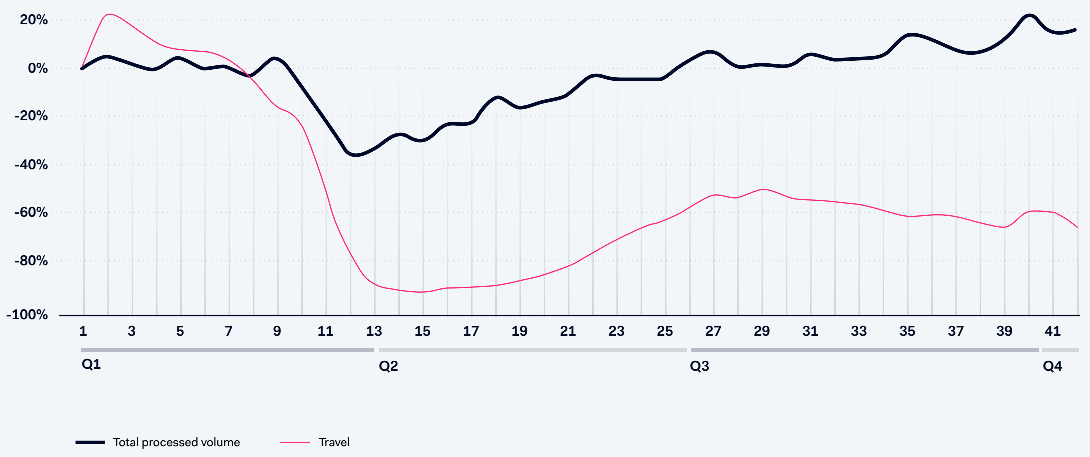
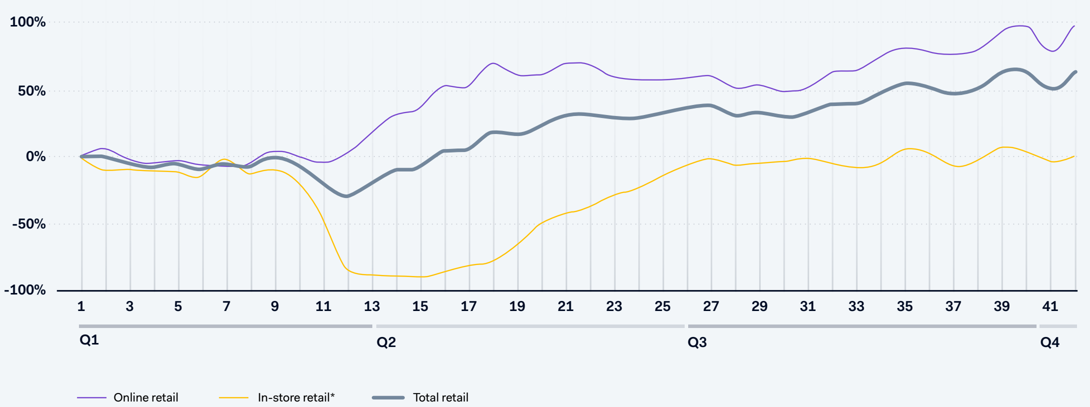


Figure 2

Weekly retail processed volumes indexed to the first week of January.



* In-store retail volume is not a proxy for total point-of-sale volume.

People

We continue to build Adyen for the long term and have therefore not slowed down hiring despite the current macroeconomic conditions. We grew the team to 1,639 FTE in Q3 2020, adding 191 FTE during the period.

To ensure the absorption of new hires into the team and Adyen culture in a work-from-home setting, we continue to focus on welcoming new team members during our now online introduction sessions. Senior management spends significant time on these online company introductions by hosting Adyen Formula chats, and continues to meet every new hire before they join our team.

Figure 3

Adyen's Q3 2020 FTE growth

We are aware that the current situation is likely to persist for a longer time, and are comfortable growing the company in this environment going forward with all the online efforts that safeguard our culture we have in place. We view this working-from-home period as a marathon, and not a sprint. To adapt to this situation, we have an additional version of the Adyen Formula to reflect this philosophy in place.

Accounting adjustment

We have identified an accounting error that has resulted in an understatement of our net revenue, EBITDA, and EBITDA margin figures and the related impact on tax and net income since 2018. On page 7 you will find an adjusted representation of these figures. These adjusted figures will be included as part of our audited 2020 Financial Statements, in accordance with IAS 1 and IAS 8.

Most of the costs related to our acquiring business (interchange and scheme fees) are charged for transactions which are settled to Adyen and then to our merchants. There is a proportionally minor part of these costs relating to transactions that are either refused or initially authorized and later canceled which are charged separately. For these transactions, we erroneously recorded the scheme fees as costs in our books twice.

These duplicate bookings were solely accounting related and did not affect any cash positions, payouts from financial institutions, or payouts and reporting to our merchants. As business processes were not affected, the above-mentioned bookings were not identified right away. All parties were charged and paid the correct amounts. Once identified, we resolved the accounting treatment of these costs.

As the above did not impact the fundamentals of the business, nor the associated trends we have previously explained, we still have the same long-term view of the business.

You will find the preliminary expected accounting impact on previously reported periods on page 7 — these amounts have not been audited. Processed volumes are unchanged.

Figure 4

Accounting adjustment — For the half-yearly reported statements of 2020, 2019 and 2018 (all amounts in EUR '000 unless otherwise stated). For further details, including quarterly, annual and cumulative figures since 2018, go here.

2020			
	Reported H1 2020	Adjustment	Restated H1 2020
Processed volume (EUR bn)	129.1	-	129.1
Net revenues	279,942	24,865	304,807
EBITDA	140,857	24,865	165,722
EBITDA margin	50.3%		54.4%
Net income*	78,355	19,544	97,899

2019						
	Reported H1 2019	Adjustment	Restated H1 2019	Reported H2 2019	Adjustment	Restated H2 2019
Processed volume (EUR bn)	104.6	-	104.6	135.0	-	135.0
Net revenues	221,096	16,571	237,667	275,585	21,048	296,633
EBITDA	125,828	16,571	142,399	153,495	21,048	174,543
EBITDA margin	56.9%		59.9%	55.7%		58.8%
Net income*	92,514	13,323	105,837	111,525	16,922	128,447

2018						
	Reported H1 2019	Adjustment	Restated H1 2019	Reported H2 2019	Adjustment	Restated H2 2019
Processed volume (EUR bn)	70.0	-	70.0	89.0	-	89.0
Net revenues	156,431	9,273	165,704	192,482	15,260	207,742
EBITDA	70,250	9,273	79,523	111,696	15,260	126,956
EBITDA margin	44.9%		48.0%	58.0%		61.1%
Net income*	48,162	7,473	55,635	82,984	12,295	95,279

* The lower impact of the adjustment in net income is due to the tax effect of the adjustment.

Financial Objectives

As our fundamental view of the business has not changed, we maintain the same financial objectives.

Net revenue growth: We aim to grow net revenue and achieve a CAGR between the mid-twenties and low-thirties in the medium term by executing our sales strategy.

EBITDA margin: We expect EBITDA margin to benefit from our operational leverage going forward and remain at levels above 55% in the long-term.

Capital expenditure: We aim to maintain a sustainable capital expenditure level of up to 5% of our net revenue.

Contact

ir@adyen.com
press@adyen.com

Please subscribe to our news feed on adyen.com/ir.

This trading update contains information that qualifies, or may qualify, as inside information within the meaning of Article 7(1) of the EU Market Abuse Regulation.