

Boku

Trading update

Payments volumes +35% year-on-year

Boku's five-month trading update confirmed that lockdowns have resulted in increased demand for home entertainment, driving new users to Boku's Payments business. Management is confident of meeting market expectations for FY20 and we maintain our current estimates. We note, however, that if demand from new users can be sustained there could be upside to our forecasts.

Year end	Revenue (\$m)	EBITDA* (\$m)	Diluted EPS* (\$)	DPS (\$)	P/E (x)	EV/EBITDA (x)
12/18	35.3	6.3	0.02	0.0	70.0	39.0
12/19	50.1	7.4**	0.01	0.0	90.3	33.3
12/20e	52.0	10.5	0.02	0.0	53.4	23.4
12/21e	60.8	14.3	0.03	0.0	34.6	17.2
12/22e	69.4	17.0	0.04	0.0	27.2	14.5

Note: *EBITDA and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **Excludes one-off revenue recognition.

Good progress year to date

Boku's trading update for the first five months of FY20 (5M20) confirmed that good progress was made in both the Payments & Identity businesses. In the Payments business, total payment volumes (TPV) grew 35% y-o-y to \$2.6bn, and monthly active users (MAUs) at the end of May exceeded 20 million (+36% y-o-y, +12% since February 2020). New users during 5M20 increased 20% y-o-y to 9.2 million. Payments deployments are at record levels, covering a wide range of countries and merchants. Live wallets processing payment transactions have increased from two in February to seven in May. The company recently reported that it has expanded the supply of data in its Identity business, and merchants (including FIS, the owner of Worldpay) are generating revenue in five countries.

Estimates maintained; Payments could drive upside

Management is confident of meeting FY20 expectations and expects to provide a half-year update in due course. While Payments volumes year to date are strong, it is unclear how sustainable these increased volumes will be once lockdowns are relaxed. In addition, COVID-19 disruption could affect future deployments and delay progress in signing up merchants for Identity services. At this point, we maintain our estimates.

Valuation: Sum-of-parts suggests upside

On EV/Sales and EV/EBITDA, Boku is trading at a discount to the average of payment processor peers and identity management peers. However, we believe that Boku's investment in the Identity business is masking the performance of the Payments business. As the two business have different growth and profitability dynamics, we take a sum-of-the-parts approach to assign value to each separately, generating a group equity value of \$388m or 119p per share (117p previously). Excluding the Identity business entirely, the group would be worth \$363m or 111p per share (108p previously), still well ahead of the current share price. Key catalysts for the share price include evidence of growth in the Boku Identity business, new major merchants being signed up in either business or a growing contribution from the wallets service.

Software & comp services

10 June 2020

Price 85.5p

Market cap £220m

\$1.27:£1

Net cash (\$m) at end FY19 32.6

Shares in issue 257.1m

Free float 89%

Code BOKU

Primary exchange AIM

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	4.3	32.6	(36.0)
Rel (local)	(2.8)	26.0	(26.8)
52-week high/low		132p	49p

Business description

Boku operates a billing and identity verification platform that connects merchants with mobile network operators in more than 50 countries. It has c 215 employees, with its main offices in the US, UK, Germany and India.

Next events

H120 trading update July 2020

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Exhibit 1: Financial summary

	\$m	2014	2015	2016	2017	2018	2019	2020e	2021e	2022e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT										
Revenue		18.3	19.2	17.2	24.4	35.3	50.1	52.0	60.8	69.4
Cost of Sales		(4.1)	(4.0)	(3.2)	(2.3)	(2.5)	(5.6)	(6.5)	(9.0)	(11.4)
Gross Profit		14.2	15.2	14.0	22.1	32.8	44.6	45.6	51.8	58.0
EBITDA		(9.6)	(11.4)	(12.3)	(2.3)	6.3	10.7	10.5	14.3	17.0
Normalised operating profit		(9.8)	(12.4)	(13.8)	(4.0)	4.8	4.5	7.8	11.6	14.5
Amortisation of acquired intangibles		(0.8)	(1.9)	(1.7)	(1.3)	(1.3)	(1.6)	(1.6)	(1.6)	(0.8)
Exceptionals		(2.1)	(0.1)	(2.4)	(2.2)	(1.4)	(0.3)	0.0	0.0	0.0
Share-based payments		(1.7)	(1.8)	(2.1)	(1.5)	(4.6)	(6.8)	(5.1)	(5.1)	(5.1)
Reported operating profit		(14.4)	(16.2)	(19.9)	(9.0)	(2.4)	(4.1)	1.1	5.0	8.7
Net Interest		(0.6)	(0.4)	(1.2)	(2.4)	(0.6)	(0.4)	(0.7)	(0.7)	(0.6)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	(17.1)	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		(10.4)	(12.8)	(15.0)	(6.4)	4.3	4.1	7.1	11.0	13.9
Profit Before Tax (reported)		(15.0)	(16.6)	(21.1)	(28.5)	(3.0)	(1.3)	0.4	4.3	8.1
Reported tax		(0.4)	(0.4)	0.5	(0.1)	(1.3)	1.7	(0.0)	(0.6)	(1.2)
Profit After Tax (norm)		(7.8)	(9.6)	(11.2)	(4.8)	3.4	3.2	5.6	8.7	11.0
Profit After Tax (reported)		(15.4)	(17.0)	(20.6)	(28.7)	(4.3)	0.4	0.4	3.6	6.8
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		(7.8)	(9.6)	(11.2)	(4.8)	3.4	3.2	5.6	8.7	11.0
Net income (reported)		(15.4)	(17.0)	(20.6)	(28.7)	(4.3)	0.4	0.4	3.6	6.8
Basic ave. number of shares outstanding (m)		21.3	27.4	140.1	150.3	217.1	246.8	253.1	253.9	253.9
EPS - basic normalised (\$)		(0.36)	(0.35)	(0.08)	(0.03)	0.02	0.01	0.02	0.03	0.04
EPS - diluted normalised (\$)		(0.36)	(0.35)	(0.08)	(0.03)	0.02	0.01	0.02	0.03	0.04
EPS - basic reported (\$)		(0.72)	(0.62)	(0.15)	(0.19)	(0.02)	0.00	0.00	0.01	0.03
Dividend (\$)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		N/A	4.7	(10.4)	42.0	44.5	42.2	3.7	17.0	14.1
Gross Margin (%)		77.6	79.1	81.4	90.7	92.9	88.9	87.6	85.2	83.5
EBITDA Margin (%)		(52.5)	(59.2)	(71.4)	(9.5)	17.9	21.3	20.2	23.6	24.6
Normalised Operating Margin		(53.2)	(64.4)	(80.0)	(16.5)	13.7	9.0	15.0	19.1	21.0
BALANCE SHEET										
Fixed Assets		32.7	30.8	26.8	26.9	23.0	52.2	50.0	47.7	45.9
Intangible Assets		32.5	30.1	25.7	25.8	22.5	46.8	45.3	43.5	42.8
Tangible Assets		0.2	0.7	0.5	0.4	0.3	3.5	2.2	1.3	0.4
Investments & other		0.0	0.0	0.6	0.7	0.3	1.8	2.5	2.8	2.6
Current Assets		72.5	53.0	48.9	79.3	84.0	89.2	92.1	118.5	145.7
Stocks		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors		59.7	43.3	37.1	59.1	51.7	53.6	54.9	68.1	78.2
Cash & cash equivalents		12.0	9.0	11.3	18.7	31.1	34.7	36.3	49.5	66.6
Other		0.7	0.6	0.5	1.4	1.3	0.9	0.9	0.9	0.9
Current Liabilities		(69.6)	(65.5)	(61.0)	(78.0)	(79.6)	(81.8)	(78.8)	(94.3)	(107.6)
Creditors		(64.6)	(60.4)	(54.9)	(75.5)	(77.4)	(78.0)	(75.4)	(92.1)	(105.5)
Tax and social security		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term borrowings		(5.0)	(5.1)	(6.1)	(2.5)	(2.2)	(2.1)	(2.1)	(2.1)	(2.1)
Other		0.0	0.0	0.0	(0.0)	0.0	(1.7)	(1.3)	(0.0)	(0.0)
Long Term Liabilities		0.0	(0.3)	(15.2)	(0.2)	(0.8)	(2.6)	(1.2)	(1.2)	(1.2)
Long term borrowings		0.0	(0.2)	(15.1)	(0.0)	0.0	0.0	0.0	0.0	0.0
Other long-term liabilities		0.0	(0.1)	(0.1)	(0.1)	(0.8)	(2.6)	(1.2)	(1.2)	(1.2)
Net Assets		35.5	18.0	(0.4)	28.0	26.6	57.0	62.1	70.7	82.7
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		35.5	18.0	(0.4)	28.0	26.6	57.0	62.1	70.7	82.7
CASH FLOW										
Op Cash Flow before WC and tax		(9.6)	(11.4)	(12.3)	(2.3)	6.3	7.4	10.5	14.3	17.0
Working capital		9.3	11.6	(3.4)	1.0	7.2	3.0	(3.9)	3.6	3.2
Exceptional & other		(1.6)	1.1	4.2	(5.5)	0.2	(1.3)	(0.4)	0.0	0.0
Tax		(0.0)	(0.0)	(0.0)	0.0	(0.2)	(0.1)	(0.7)	(1.0)	(1.0)
Net operating cash flow		(1.9)	1.3	(11.5)	(6.8)	13.5	9.0	5.6	16.9	19.3
Capex		(1.1)	(3.6)	(1.5)	(0.3)	(0.3)	(2.1)	(1.5)	(1.6)	(1.6)
Acquisitions/disposals		5.9	0.3	0.0	0.0	(0.2)	(0.7)	0.0	0.0	0.0
Net interest		(0.3)	(0.3)	(0.3)	(0.9)	(0.6)	(0.4)	(0.6)	(0.6)	(0.6)
Equity financing		0.2	0.1	0.1	19.8	0.5	0.6	0.0	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.6	(0.0)	0.1	(1.1)	0.2	(1.5)	(1.9)	(1.5)	0.0
Net Cash Flow		3.3	(2.2)	(13.1)	10.6	13.1	4.857	1.6	13.2	17.1
Opening net debt/(cash)		(4.9)	(7.0)	(3.6)	9.9	(16.2)	(28.9)	(32.6)	(34.2)	(47.5)
FX		(1.2)	(0.8)	(0.4)	0.4	(0.5)	(1.1)	0.0	0.0	0.0
Other non-cash movements		0.0	(0.4)	(0.0)	15.1	(0.0)	(0.0)	0.0	0.0	0.0
Closing net debt/(cash)		(7.0)	(3.6)	9.9	(16.2)	(28.9)	(32.6)	(34.2)	(47.5)	(64.5)

Source: Boku, Edison Investment Research

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