

Boku

Trading update

Upgrading FY20 EBITDA

Boku has released a trading update confirming that EBITDA is likely to be ahead of consensus expectations for FY20. As most of the upside is due to COVID-19-related cost savings, we have upgraded our FY20 EBITDA and EPS forecasts by 10% and 15%, respectively. We leave our FY21/22 forecasts unchanged, pending a more detailed trading update in January that will cover the busy December holiday season.

Year end	Revenue (\$m)	EBITDA* (\$m)	Diluted EPS* (\$)	DPS (\$)	P/E (x)	EV/EBITDA (x)
12/18	35.3	6.3	0.016	0.0	105.8	72.1
12/19	50.1	7.4**	0.012	0.0	136.5	61.6
12/20e	55.4	13.5	0.025	0.0	65.5	33.7
12/21e	66.4	17.7	0.032	0.0	52.1	25.8
12/22e	77.7	21.1	0.040	0.0	41.0	21.6

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

Cost savings boost FY20 EBITDA

Boku has announced that as a result of continued strong trading in the Payments business and the benefit of COVID-19-related cost savings, the board now expects group EBITDA of at least \$13.5m for FY20, at least \$1m higher than current consensus. It will provide a more detailed trading update in January that will cover the peak December trading period. This may also provide some evidence of the stickiness of customers signed up during recent lockdowns.

Upgrading FY20 forecasts

We have made a small upward revision to our FY20 revenue forecast (+0.5%) to reflect slightly stronger trading from the Payments business. We have reduced operating costs by c \$0.9m and reflected a higher share count from the recent vesting of restricted stock units and the exercise of options by management. We raise our FY20 EBITDA forecast by 10% (from \$12.3m to \$13.5m) and our normalised diluted EPS by 15%. We make no changes to FY21/FY22 revenue or EBITDA forecasts at this point.

Valuation: Reflects lockdown boost to Payments

Having gained 35% since reporting H1 results in September, Boku is trading at a discount to the average of payment processor peers on an EV/sales and EV/EBITDA basis, and at a small premium to identity management peers on both multiples. Reflecting the different growth and profitability dynamics of the Payments and Identity businesses, we use a sum-of-the-parts approach to assign value to each separately, generating a group equity value of 127p per share (previously 124p per share). Excluding the Identity business entirely, Boku would be worth 120.5p per share. In addition to clarity over the longevity of new Payments customers who signed up during lockdowns, key catalysts for the share price include a return to revenue growth in the Boku Identity business, new major merchants being signed up and a growing contribution from wallets.

Software & comp services

2 December 2020

Price **122.5p**

Market cap **£352m**

US\$1.34:£1

Net cash (\$m) at end H120 60.4

Shares in issue 287.3m

Free float 89%

Code BOKU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 1.7 32.4 45.8

Rel (local) (10.4) 20.6 62.9

52-week high/low 123p 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 300 employees, with its main offices in the US, UK, Estonia, Germany and India.

Next events

FY20 trading update January 2021

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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	55.4	66.4	77.7
Cost of Sales		(4.1)	(4.0)	(3.2)	(2.3)	(2.5)	(5.6)	(5.4)	(7.3)	(10.5)
Gross Profit		14.2	15.2	14.0	22.1	32.8	44.6	50.0	59.1	67.2
EBITDA		(9.6)	(11.4)	(12.3)	(2.3)	6.3	10.7	13.5	17.7	21.1
Normalised operating profit		(9.8)	(12.4)	(13.8)	(4.0)	4.8	4.5	10.0	13.5	16.8
Amortisation of acquired intangibles		(0.8)	(1.9)	(1.7)	(1.3)	(1.3)	(1.6)	(1.7)	(1.5)	(0.4)
Exceptionals		(2.1)	(0.1)	(2.4)	(2.2)	(1.4)	(0.3)	(0.8)	0.0	0.0
Share-based payments		(1.7)	(1.8)	(2.1)	(1.5)	(4.6)	(6.8)	(7.0)	(5.5)	(5.5)
Reported operating profit		(14.4)	(16.2)	(19.9)	(9.0)	(2.4)	(4.1)	0.5	6.6	10.9
Net Interest		(0.6)	(0.4)	(1.2)	(2.4)	(0.6)	(0.4)	(0.8)	(1.3)	(1.2)
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	9.2	12.3	15.6
Profit Before Tax (reported)		(15.0)	(16.6)	(21.1)	(28.5)	(3.0)	(1.3)	(0.3)	5.3	9.7
Reported tax		(0.4)	(0.4)	0.5	(0.1)	(1.3)	1.7	(0.0)	(0.5)	(1.5)
Profit After Tax (norm)		(7.8)	(9.6)	(11.2)	(4.8)	3.4	3.2	7.3	9.8	12.5
Profit After Tax (reported)		(15.4)	(17.0)	(20.6)	(28.7)	(4.3)	0.4	(0.3)	4.8	8.2
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	7.3	9.8	12.5
Net income (reported)		(15.4)	(17.0)	(20.6)	(28.7)	(4.3)	0.4	(0.3)	4.8	8.2
Basic ave.number of shares outstanding (m)		21.3	27.4	140.1	150.3	217.1	246.8	269.9	287.6	287.6
EPS - basic normalised (\$)		(0.36)	(0.35)	(0.08)	(0.03)	0.02	0.01	0.03	0.03	0.04
EPS - diluted normalised (\$)		(0.36)	(0.35)	(0.08)	(0.03)	0.02	0.01	0.03	0.03	0.04
EPS - basic reported (\$)		(0.72)	(0.62)	(0.15)	(0.19)	(0.02)	0.00	(0.00)	0.02	0.03
Dividend (\$)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	#DIV/0!		4.7	(10.4)	42.0	44.5	42.2	10.5	19.8	16.9
Gross Margin (%)		77.6	79.1	81.4	90.7	92.9	88.9	90.3	89.1	86.5
EBITDA Margin (%)		(52.5)	(59.2)	(71.4)	(9.5)	17.9	21.3	24.4	26.6	27.2
Normalised Operating Margin		(53.2)	(64.4)	(80.0)	(16.5)	13.7	9.0	18.0	20.4	21.6
BALANCE SHEET										
Fixed Assets		32.7	30.8	26.8	26.9	23.0	52.2	95.7	93.9	92.1
Intangible Assets		32.5	30.1	25.7	25.8	22.5	46.8	91.2	89.8	89.5
Tangible Assets		0.2	0.7	0.5	0.4	0.3	3.5	2.1	1.1	0.1
Investments & other		0.0	0.0	0.6	0.7	0.3	1.8	2.5	3.0	2.5
Current Assets		72.5	53.0	48.9	79.3	84.0	89.2	104.9	147.4	180.5
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	65.8	92.6	106.9
Cash & cash equivalents		12.0	9.0	11.3	18.7	31.1	34.7	38.2	53.9	72.7
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)	(93.2)	(124.7)	(143.6)
Creditors		(64.6)	(60.4)	(54.9)	(75.5)	(77.4)	(78.0)	(87.9)	(120.9)	(139.6)
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)	(3.3)	(3.3)	(3.3)
Other		0.0	0.0	0.0	(0.0)	0.0	(1.7)	(1.9)	(0.5)	(0.6)
Long Term Liabilities		0.0	(0.3)	(15.2)	(0.2)	(0.8)	(2.6)	(17.4)	(16.1)	(14.9)
Long term borrowings		0.0	(0.2)	(15.1)	(0.0)	0.0	0.0	(16.2)	(14.9)	(13.7)
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	90.1	100.4	114.1
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	90.1	100.4	114.1
CASH FLOW										
Op Cash Flow before WC and tax		(9.6)	(11.4)	(12.3)	(2.3)	6.3	7.4	13.5	17.7	21.1
Working capital		9.3	11.6	(3.4)	1.0	7.2	3.0	(2.4)	6.2	4.4
Exceptional & other		(1.6)	1.1	4.2	(5.5)	0.2	(1.3)	(1.1)	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	9.4	22.9	24.5
Capex		(1.1)	(3.6)	(1.5)	(0.3)	(0.3)	(2.1)	(2.5)	(2.7)	(2.8)
Acquisitions/disposals		5.9	0.3	0.0	0.0	(0.2)	(0.7)	(43.0)	0.0	0.0
Net interest		(0.3)	(0.3)	(0.3)	(0.9)	(0.6)	(0.4)	(0.6)	(1.2)	(1.1)
Equity financing		0.2	0.1	0.1	19.8	0.5	0.6	24.8	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)	(2.1)	(0.6)
Net Cash Flow		3.3	(2.2)	(13.1)	10.6	13.1	4.857	(13.9)	17.0	20.0
Opening net debt/(cash)		(4.9)	(7.0)	(3.6)	9.9	(16.2)	(28.9)	(32.6)	(18.7)	(35.7)
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)	(18.7)	(35.7)	(55.7)

Source: Boku, Edison Investment Research

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