

Boku

H1 trading update

Upgrading estimates on strong H1 trading

The high level of demand for digital content and online transactions has continued in H121, driving organic revenue growth of 21% y-o-y. Management is confident it will beat consensus revenue and adjusted EBITDA forecasts for FY21 and we have raised our estimates accordingly. Boku plans to increase investment in its product suite and sales and marketing to take advantage of the opportunities to help its merchant base access consumers using a range of mobile-based payment methods.

Year end	Revenue (\$m)	EBITDA* (\$m)	Diluted EPS* (c)	DPS (c)	P/E (x)	EV/EBITDA (x)
12/19	50.1	7.4**	1.2	0.0	186.9	83.1
12/20	56.4	15.3	3.2	0.0	70.1	40.3
12/21e	68.9	19.6	3.7	0.0	60.9	31.4
12/22e	79.0	22.0	4.1	0.0	54.4	28.0

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

Strong trading continued through H121

Boku expects to report revenue of at least \$34m for H121, equivalent to y-o-y growth of 37%. Adjusting for the Fortumo acquisition that completed on 1 July 2020, organic growth was at least 21% y-o-y. Underlying Payments revenue grew 20% and Identity revenue grew 30%. The company expects to report adjusted EBITDA of at least \$9.6m for H121 (+50% y-o-y). Growth in monthly active users continued through H1, increasing by 3% from the end of FY20 to 29.7m. Total payment volume (TPV) grew 29% y-o-y and the take rate was c 0.7%, stable versus H220.

Raising guidance for FY21

Management expects to beat current consensus for FY21 (revenue \$66.3m, EBITDA \$18.0m). Considering it expects H121 EBITDA of \$9.6m and business is typically seasonally stronger in H2, we have raised our estimates to reflect this. We have also reflected management's comment about increased investment in the business in H221 and FY22. This results in upgrades to our normalised diluted EPS forecasts of 17.1% in FY21 and 6.6% in FY22. The company is focused on helping merchants reach mobile customers, particularly those using non-standard and local payment methods. The increased investment will be used to enhance the product suite to address new market segments and to drive cross-selling.

Valuation: Trading at a discount to peer average

Valuing the Payments business alone using the average FY21e EV/EBITDA multiple for its peer group (37.4x, up from 35.0x last time we wrote) results in a per share value of 220p, providing upside to the current share price. The Identity business could provide further upside – including it at its unimpaired cost would take the per share value up to 226p. We note that payments companies specialising in simplifying complex payment transactions, such as cross-border transactions or local payment methods, command even higher valuations than the likes of Square (124x FY21e EBITDA) and Adyen (109x).

Software & comp services

20 July 2021

Price **164.0p**
Market cap **£485m**

\$1.37:£1

Net cash (\$m) at end H121 48.6

Shares in issue 295.6m

Free float 93%

Code BOKU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (2.1) (6.7) 100.6

Rel (local) 0.0 (6.6) 73.1

52-week high/low 190p 82p

Business description

Boku operates a billing and identity verification platform that connects merchants with mobile network operators in more than 80 countries. It has c 300 employees, with its main offices in the US, UK, Estonia, Germany and India.

Next events

H121 results September

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H1 trading update

In the table below, we summarise the expected H1 performance.

Exhibit 1: Key H121 metrics			
	H121	Growth y-o-y	Comment
Payments revenue	≥\$30.5m	39%	
Boku (implied)	≥\$26.4m	20%	Based on growth rate
Fortumo (implied)	≥\$4.1m	N/A	
Identity revenue	≥\$3.5m	30%	
Group revenue	≥\$34.0m	37%	
Monthly active users	29.7m	46%	
Boku (implied)	26.0m	28%	Based on growth rate
Fortumo (implied)	3.7m	N/A	
TPV	\$4.0bn	29%	
Take rate	0.7%		In line with H220 (0.78%)
Adjusted EBITDA	≥\$9.6m	50%	
Cash at end H121	\$48.6m		
Average daily cash June 2021	\$38.0m		

Source: Boku

In the **Payments** business, new connections were launched for Google, Netflix, DAZN, Spotify, Epic Games, Amazon, Riot Games and Tinder across both direct carrier billing and wallets. The company has also obtained payment licences that cover 35 countries across Europe and Asia, compared to only the UK at the start of the year.

In the **Identity** business, connections were added in Indonesia, Italy and Spain. The business saw strong growth certain existing customers and growing volumes from new mobile wallet customers in Indonesia.

During H121, the company repaid \$11.25m of the \$20m debt put in place to acquire Fortumo.

The company also noted the earn-out period for Fortumo concluded on 30 June 2021. Since the acquisition, \$5.4m in cash has been sitting in escrow, representing the maximum potential payout (which required EBITDA for the 12 months to 30 June 2021 well ahead of expectations). The company now estimates the payout is unlikely to exceed \$2.7m so should receive the balance by 30 September.

Changes to forecasts

Management believes group revenue and adjusted EBITDA will be ahead of expectations for FY21 while Identity revenue and adjusted EBITDA are tracking in line with board expectations. We have revised our estimates to reflect stronger revenue in FY21–23. We have also increased our opex assumptions for all three years, based on management comments that it will be investing in its product suite and in sales and marketing in H221 and into FY22 to take advantage of the many opportunities available.

Overall, our EBITDA forecasts increase by 10.5% in FY21 and 4.7% in FY22 and are unchanged for FY23. Normalised diluted EPS forecasts increase by 17.1% in FY21 and 6.6% in FY22 and are unchanged for FY23.

Exhibit 2: Changes to forecasts

\$'m	FY21e				FY22e				FY23e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	Old	New	Change	y-o-y
Payment revenues	59.6	61.9	3.9%	20.9%	65.8	69.0	4.9%	11.3%	73.3	76.1	3.9%	10.3%
Identity revenues	6.9	7.0	0.8%	34.5%	12.0	10.0	-16.7%	43.8%	15.5	13.0	-16.1%	30.0%
Total revenues	66.5	68.9	3.6%	22.1%	77.8	79.0	1.5%	14.6%	88.8	89.1	0.4%	12.8%
Gross profit	59.1	62.8	6.2%	22.0%	67.0	71.0	6.0%	13.0%	75.5	79.2	4.9%	11.6%
Gross margin	88.9%	91.2%	2.3%	-0.1%	86.1%	89.9%	3.8%	-1.3%	85.0%	88.9%	3.9%	-1.0%
Payment EBITDA	21.2	22.6	6.4%	17.7%	23.2	24.5	5.6%	8.4%	27.7	28.3	2.1%	15.6%
Identity EBITDA	(3.5)	(3.0)	-14.2%	-23.4%	(2.2)	(2.5)	13.6%	-16.5%	(1.0)	(1.6)	63.2%	-38.0%
Total EBITDA	17.7	19.6	10.5%	28.3%	21.0	22.0	4.7%	12.2%	26.7	26.7	0.0%	21.7%
<i>Payment EBITDA margin</i>	35.6%	36.5%	0.9%	-1.0%	35.3%	35.5%	0.2%	-1.0%	37.8%	37.2%	-0.6%	1.7%
<i>Identity EBITDA margin</i>	-50.6%	-43.1%	7.5%	32.5%	-18.3%	-25.0%	-6.7%	18.1%	-6.1%	-11.9%	-5.8%	13.1%
EBITDA margin	26.6%	28.4%	6.7%	1.4%	27.0%	27.8%	3.1%	-0.6%	30.1%	30.0%	-0.4%	2.2%
Normalised operating profit	13.5	15.4	13.8%	32.8%	16.2	17.2	6.1%	12.0%	21.5	21.5	0.0%	25.2%
Normalised operating margin	20.3%	22.3%	2.0%	1.8%	20.9%	21.8%	0.9%	-0.5%	24.3%	24.2%	-0.1%	2.4%
Reported operating profit	5.1	7.0	36.5%	-141.6%	7.8	8.8	12.7%	26.4%	13.1	13.1	0.0%	49.2%
Reported operating margin	7.7%	10.1%	2.4%	39.7%	10.0%	11.1%	1.1%	1.0%	14.8%	14.7%	-0.1%	3.6%
Normalised PBT	12.2	14.1	15.2%	28.4%	15.1	16.0	6.6%	13.8%	20.4	20.4	0.0%	27.1%
Reported PBT	3.8	5.7	48.5%	-132.9%	6.6	7.6	14.9%	34.1%	12.0	12.0	0.0%	57.0%
Normalised net income	9.8	11.3	15.2%	28.4%	12.0	12.8	6.6%	13.8%	16.1	16.1	0.0%	25.5%
Reported net income	3.4	5.1	48.5%	-127.3%	5.6	6.5	14.9%	26.7%	10.2	10.2	0.0%	57.0%
Normalised basic EPS (\$)	0.034	0.039	13.2%	20.2%	0.042	0.043	3.0%	11.9%	0.056	0.054	-3.4%	25.5%
Normalised diluted EPS (\$)	0.032	0.037	17.1%	15.0%	0.039	0.041	6.6%	11.9%	0.052	0.052	0.0%	25.5%
Reported basic EPS (\$)	0.012	0.017	46.0%	-125.5%	0.020	0.022	11.0%	24.5%	0.035	0.034	-3.4%	57.0%
Net debt/(cash)	(59.7)	(62.0)	3.8%	26.4%	(80.2)	(83.2)	3.8%	34.3%	(105.5)	(108.5)	2.9%	30.4%
TPV (\$bn)	8.09	8.19	1.2%	18.0%	9.15	9.30	1.6%	13.6%	10.29	10.38	0.9%	11.6%
Take rate	0.74%	0.76%	0.02%	0.01%	0.72%	0.74%	0.02%	-0.02%	0.71%	0.73%	0.02%	-0.01%

Source: Edison Investment Research

Exhibit 3: Financial summary

	\$'m	2017	2018	2019	2020	2021e	2022e	2023e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue		24.4	35.3	50.1	56.4	68.9	79.0	89.1
Cost of Sales		(2.3)	(2.5)	(5.6)	(4.9)	(6.1)	(8.0)	(9.9)
Gross Profit		22.1	32.8	44.6	51.5	62.8	71.0	79.2
EBITDA		(2.3)	6.3	10.7	15.3	19.6	22.0	26.7
Normalised operating profit		(4.0)	4.8	4.5	11.6	15.4	17.2	21.5
Amortisation of acquired intangibles		(1.3)	(1.3)	(1.6)	(2.2)	(2.9)	(2.9)	(2.9)
Exceptionals		(2.2)	(1.4)	(0.3)	(21.1)	0.0	0.0	0.0
Share-based payments		(1.5)	(4.6)	(6.8)	(4.9)	(5.5)	(5.5)	(5.5)
Reported operating profit		(9.0)	(2.4)	(4.1)	(16.7)	7.0	8.8	13.1
Net Interest		(2.4)	(0.6)	(0.4)	(0.6)	(1.3)	(1.2)	(1.1)
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		(17.1)	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		(6.4)	4.3	4.1	11.0	14.1	16.0	20.4
Profit Before Tax (reported)		(28.5)	(3.0)	(1.3)	(17.3)	5.7	7.6	12.0
Reported tax		(0.1)	(1.3)	1.7	(1.5)	(0.6)	(1.1)	(1.8)
Profit After Tax (norm)		(4.8)	3.4	3.2	8.8	11.3	12.8	16.1
Profit After Tax (reported)		(28.7)	(4.3)	0.4	(18.8)	5.1	6.5	10.2
Minority interests		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
Net income (normalised)		(4.8)	3.4	3.2	8.8	11.3	12.8	16.1
Net income (reported)		(28.7)	(4.3)	0.4	(18.8)	5.1	6.5	10.2
Basic average number of shares outstanding (m)		150.3	217.1	246.8	273.8	292.6	297.6	297.6
EPS - basic normalised (\$)		(0.03)	0.02	0.01	0.03	0.04	0.04	0.05
EPS - diluted normalised (\$)		(0.03)	0.02	0.01	0.03	0.04	0.04	0.05
EPS - basic reported (\$)		(0.19)	(0.02)	0.00	(0.07)	0.02	0.02	0.03
Dividend (\$)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		42.0	44.5	42.2	12.5	22.1	14.6	12.8
Gross Margin (%)		90.7	92.9	88.9	91.3	91.2	89.9	88.9
EBITDA Margin (%)		(9.5)	17.9	21.3	27.1	28.4	27.8	30.0
Normalised Operating Margin		(16.5)	13.7	9.0	20.5	22.3	21.8	24.2
BALANCE SHEET								
Fixed Assets		26.9	23.0	52.2	69.8	66.9	62.5	57.0
Intangible Assets		25.8	22.5	46.8	65.6	63.2	59.9	56.2
Tangible Assets		0.4	0.3	3.5	3.8	2.8	1.8	0.8
Investments & other		0.7	0.3	1.8	0.5	0.9	0.8	(0.0)
Current Assets		79.3	84.0	89.2	155.2	208.3	248.1	290.9
Stocks		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors		59.1	51.7	53.6	92.5	134.0	153.7	172.5
Cash & cash equivalents		18.7	31.1	34.7	61.3	73.0	93.0	117.0
Other		1.4	1.3	0.9	1.4	1.4	1.4	1.4
Current Liabilities		(78.0)	(79.6)	(81.8)	(139.7)	(180.5)	(205.1)	(228.0)
Creditors		(75.5)	(77.4)	(78.0)	(136.8)	(179.0)	(203.5)	(226.3)
Tax and social security		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term borrowings		(2.5)	(2.2)	(2.1)	(1.4)	(1.4)	(1.4)	(1.4)
Other		(0.0)	0.0	(1.7)	(1.4)	(0.0)	(0.1)	(0.2)
Long Term Liabilities		(0.2)	(0.8)	(2.6)	(13.6)	(12.4)	(11.1)	(9.9)
Long term borrowings		(0.0)	0.0	0.0	(10.8)	(9.6)	(8.3)	(7.1)
Other long term liabilities		(0.1)	(0.8)	(2.6)	(2.8)	(2.8)	(2.8)	(2.8)
Net Assets		28.0	26.6	57.0	71.8	82.4	94.4	110.0
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		28.0	26.6	57.0	71.8	82.4	94.4	110.0
CASH FLOW								
Op Cash Flow before WC and tax		(2.3)	6.3	7.4	15.3	19.6	22.0	26.7
Working capital		1.0	7.2	3.0	20.1	0.8	4.8	4.0
Exceptional & other		(5.5)	0.2	(1.3)	(3.8)	0.0	0.0	0.0
Tax		0.0	(0.2)	(0.1)	(0.3)	(1.0)	(1.0)	(1.0)
Net operating cash flow		(6.8)	13.5	9.0	31.3	19.4	25.8	29.7
Capex		(0.3)	(0.3)	(2.1)	(3.4)	(3.2)	(2.8)	(2.8)
Acquisitions/disposals		0.0	(0.2)	(0.7)	(36.6)	0.0	0.0	0.0
Net interest		(0.9)	(0.6)	(0.4)	(1.0)	(1.2)	(1.1)	(1.1)
Equity financing		19.8	0.5	0.6	26.2	0.0	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		(1.1)	0.2	(1.5)	(2.6)	(2.1)	(0.6)	(0.6)
Net Cash Flow		10.6	13.1	4.857	13.8	12.9	21.3	25.3
Opening net debt/(cash)		9.9	(16.2)	(28.9)	(32.6)	(49.0)	(62.0)	(83.2)
FX		0.4	(0.5)	(1.1)	1.3	0.0	0.0	0.0
Other non-cash movements		15.1	(0.0)	(0.0)	1.2	0.0	0.0	0.0
Closing net debt/(cash)		(16.2)	(28.9)	(32.6)	(49.0)	(62.0)	(83.2)	(108.5)

Source: Boku, Edison Investment Research

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