

# Boku

FY22 trading update

## Local payment method growth accelerates

Software and comp services

Boku expects to report FY22 revenue and EBITDA slightly ahead of our forecasts and closes the year with stronger than expected net cash. Total payment volume (TPV) was 20% higher y-o-y in constant currency and year-end monthly active users (MAUs) grew 28% y-o-y, helped by the growing contribution from local payment methods (LPMs). We revise our forecasts to reflect stronger revenue growth, with more limited upgrades to EBITDA as we expect gross profit upside to be invested in further expanding and supporting the company's network of LPMs.

17 January 2023

**Price** **147.5p**
**Market cap** **£439m**

\$1.22:£1

Net cash (\$m) at end FY22 116.3

Shares in issue 297.7m

Free float 93%

Code BOKU

Primary exchange AIM

Secondary exchange N/A

Year end	Revenue (\$m)	EBITDA* (\$m)	Diluted EPS* (\$)	DPS (\$)	P/E (x)	EV/EBITDA (x)
12/20	56.4	15.3	0.032	0.0	56.1	27.5
12/21	62.1	22.9	0.047	0.0	38.3	18.3
12/22e	63.3	20.0	0.040	0.0	44.6	20.9
12/23e	72.1	23.0	0.045	0.0	39.9	18.2

Note: \*EBITDA and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. FY20 includes Identity business (sold Q122).

## FY22 revenue +14% in constant currency

Boku expects to report FY22 revenue of at least \$63.3m versus our \$62.5m forecast, implying reported revenue growth of 2% and 14% in constant currency (H222 +19% y-o-y in constant currency). Adjusted EBITDA of at least \$20m is slightly ahead of our \$19.7m forecast, with revenue upside invested in Boku's mobile-first network. TPV of \$8.9bn was in line with our forecast and the 0.71% take rate was ahead of our 0.70% forecast. Year-end cash of \$116.3m benefited from slower settlement with merchants over the Christmas period. Average daily cash in December 2022 was \$98.8m, up from \$63.3m in June 2022; \$50.4m of year-end cash is Boku's 'own cash' with the balance being merchant cash in transit.

## Local payment methods driving volume growth

MAUs increased 28% y-o-y to close the year at 52.3m, of which LPMs made up 7%, up from 5% at end-H122 and 3% at end-FY21. Boku saw an eightfold increase in volumes processed from LPMs year-on-year, helped by c 50 LPM launches in the year, including Alipay and WeChat Pay in China for a global gaming merchant. Boku now has LPM connections in 19 countries. The recently signed [agreement](#) with Amazon should start to contribute to LPM volumes in FY23 with a more material effect in FY24. We have revised our forecasts to reflect FY22 trading, with revenue upgrades for FY22–24, while EBITDA forecasts reflect increased investment in Boku's mobile-first network, particularly to support LPMs.

## Valuation: LPMs key to upside

The stock has recovered from its low of 77p in September 2022 and now trades on an EV/EBITDA multiple of 20.9x FY22e, a 16% discount to its payment processing peer group. Applying the average multiple for FY22e would imply a share price of 169p. In our view, evidence that strong constant currency revenue growth can be sustained will be the main catalyst for the share price, with a growing contribution from LPMs and new major merchants signing up key indicators of progress.

### Share price performance



%	1m	3m	12m
Abs	6.2	9.1	(21.2)
Rel (local)	2.8	(3.1)	(20.9)
52-week high/low		173p	77p

### Business description

Boku operates a billing platform that connects merchants with mobile network operators and alternative payment methods in more than 90 countries. It has c 350 employees, with its main offices in the US, UK, Estonia, Germany and India.

### Next events

Capital markets day	22 February
FY22 results	21 March

### Analyst

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## FY22 trading update

The table below summarises the key metrics for FY22 trading. The company's mobile-first network now covers 7.3bn end-user accounts, of which 45% are non-DCB (direct carrier billing). During FY22, the company launched 150 connections for merchants, with c 50 for LPMs and more than 30 for bundling programmes.

### Exhibit 1: FY22 trading highlights

	FY22a	FY22e	FY21	Growth y-o-y	Growth constant currency
TPV	\$8.9bn	\$8.9bn	\$8.2bn	8%	20%
Take rate	0.71%	0.70%	0.75%	-0.04%	
Revenue	\$63.3m	\$62.5m	\$62.1m	2%	14%
Adjusted EBITDA	At least \$20m	\$19.7m	\$22.9m	-13%	
Monthly active users (MAU)	52.3m		41.0m	28%	N/A
New users	56.7m		58.1m	-2%	N/A
Local Payment Methods (LPM):					
MAUs	3.8m		1.1m	230%	
New users	8.4m		2.8m	200%	
LPM MAU/Total MAU	7%		3%		
LPM new users/total new users	15%		5%		
Net cash	\$116.3m	\$82.8m	\$48.8m	138%	

Source: Boku, Edison Investment Research. Note: For continuing operations only (Identity business sold in Q122 accounted for in discontinued operations).

## Changes to forecasts

We have revised our forecasts to reflect the FY22 trading update. We have increased our FY22 revenue forecast by 2% to reflect a slightly higher take rate. We assume that operating costs were slightly ahead of our forecast, resulting in EBITDA of \$20m.

During FY22, the company saw a large negative effect on revenue and TPV from the strength of the US dollar against the main currencies that Boku trades in (Japanese yen, euro, UK sterling, South Korean won and Taiwan dollar). US dollar exchange rates peaked in September/October 2022 and have since declined by more than 10% for most currencies, which should result in a more limited currency effect in FY23.

We have increased our revenue forecasts for FY23 and FY24, reflecting slightly higher take rates due to the growth of LPM volumes, which earn take rates above the group average. We assume that revenue upside is reinvested in the business, particularly to strengthen the company's regulatory position, which in our view is a key competitive advantage. Boku already has regulated payment capabilities in more than 50 markets, having recently been granted a payments licence in the Philippines, and is in the final stages of obtaining a licence in Malaysia.

We have increased our net cash forecasts to reflect the stronger position at the end of FY22, assuming that working capital (particularly merchant settlement) follows similar patterns to FY22 in FY23 and FY24.

**Exhibit 2: Changes to forecasts**

\$'m	FY22e		FY23e		FY23e		FY24e		FY24e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	Old	New	Change	y-o-y
Revenue	62.5	63.3	1.3%	2.0%	69.6	72.1	3.6%	13.8%	76.9	82.0	6.6%	13.8%
Gross profit	60.4	61.2	1.3%	1.1%	67.1	69.5	3.6%	13.6%	74.2	79.1	6.6%	13.8%
Gross margin	96.6%	96.6%	0.0%	-0.9%	96.4%	96.4%	0.0%	-0.2%	96.4%	96.4%	0.0%	0.0%
EBITDA	19.7	20.0	1.6%	-12.6%	22.7	23.0	1.3%	15.0%	26.4	26.9	2.0%	16.8%
EBITDA margin	31.5%	31.6%	0.2%	-5.3%	32.7%	31.9%	-2.2%	0.3%	34.3%	32.8%	-4.4%	0.9%
Normalised operating profit	15.7	16.0	2.0%	-13.8%	17.7	18.0	1.7%	12.5%	20.9	21.4	2.5%	18.7%
Normalised operating margin	25.1%	25.3%	0.2%	-4.6%	25.5%	25.0%	-0.5%	-0.3%	27.1%	26.1%	-1.1%	1.1%
Reported operating profit	8.6	8.9	3.6%	-16.6%	10.3	10.6	2.9%	19.4%	13.5	14.0	3.9%	31.9%
Reported operating margin	13.7%	14.0%	0.3%	-3.1%	14.8%	14.7%	-0.1%	0.7%	17.5%	17.0%	-0.4%	2.3%
Normalised PBT	15.2	15.5	2.0%	-13.3%	17.4	17.7	1.7%	14.5%	20.6	21.1	2.5%	19.1%
Reported PBT	8.0	8.3	3.8%	-15.9%	10.0	10.3	3.0%	23.6%	13.1	13.7	4.0%	32.9%
Normalised net income	12.1	12.4	2.0%	-13.3%	13.8	14.0	1.7%	13.1%	16.2	16.7	2.5%	19.1%
Reported net income	31.7	32.0	0.8%	410.4%	8.5	8.7	3.0%	-72.7%	11.2	11.6	4.0%	32.9%
Normalised basic EPS (\$)	0.041	0.042	2.0%	-14.3%	0.046	0.047	1.7%	12.0%	0.054	0.055	2.5%	17.9%
Normalised diluted EPS (\$)	0.040	0.040	2.0%	-14.2%	0.044	0.045	1.7%	12.0%	0.052	0.053	2.5%	17.9%
Reported basic EPS (\$)	0.107	0.108	0.8%	404.6%	0.028	0.029	3.0%	-73.0%	0.037	0.038	4.0%	31.6%
Net debt/(cash)	(82.8)	(116.3)	40.5%	138.1%	(106.0)	(134.2)	26.6%	15.4%	(126.2)	(158.4)	25.5%	18.1%
TPV (\$bn)	8.94	8.87	-0.8%	7.7%	10.00	9.91	-0.9%	11.8%	10.99	11.12	1.2%	12.2%
Take rate	0.70%	0.71%	0.02%	-0.04%	0.70%	0.73%	0.03%	0.01%	0.70%	0.74%	0.04%	0.01%

Source: Edison Investment Research

**Exhibit 3: Financial summary**

	\$'m	2017	2018	2019	2020	2021	2022e	2023e	2024e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>									
Revenue		24.4	35.3	50.1	56.4	62.1	63.3	72.1	82.0
Cost of Sales		(2.3)	(2.5)	(5.6)	(4.9)	(1.6)	(2.1)	(2.6)	(2.9)
Gross Profit		22.1	32.8	44.6	51.5	60.5	61.2	69.5	79.1
EBITDA		(2.3)	6.3	10.7	15.3	22.9	20.0	23.0	26.9
Normalised operating profit		(4.0)	4.8	4.5	11.6	18.6	16.0	18.0	21.4
Amortisation of acquired intangibles		(1.3)	(1.3)	(1.6)	(2.2)	(1.9)	(1.4)	(1.4)	(1.4)
Exceptionals		(2.2)	(1.4)	(0.3)	(21.1)	0.4	(0.8)	0.0	0.0
Share-based payments		(1.5)	(4.6)	(6.8)	(4.9)	(6.4)	(4.9)	(6.0)	(6.0)
Reported operating profit		(9.0)	(2.4)	(4.1)	(16.7)	10.6	8.9	10.6	14.0
Net Interest		(2.4)	(0.6)	(0.4)	(0.6)	(0.7)	(0.6)	(0.3)	(0.3)
Joint ventures & associates (post tax)		0.0	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	0.0
Profit Before Tax (norm)		(6.4)	4.3	4.1	11.0	17.8	15.5	17.7	21.1
Profit Before Tax (reported)		(28.5)	(3.0)	(1.3)	(17.3)	9.9	8.3	10.3	13.7
Reported tax		(0.1)	(1.3)	1.7	(1.5)	1.9	(0.9)	(1.5)	(2.0)
Profit After Tax (norm)		(4.8)	3.4	3.2	8.8	14.3	12.4	14.0	16.7
Profit After Tax (reported)		(28.7)	(4.3)	0.4	(18.8)	11.8	7.4	8.7	11.6
Minority interests		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	(5.5)	24.6	0.0	0.0
Net income (normalised)		(4.8)	3.4	3.2	8.8	14.3	12.4	14.0	16.7
Net income (reported)		(28.7)	(4.3)	0.4	(18.8)	6.3	32.0	8.7	11.6
Basic average number of shares outstanding (m)		150.3	217.1	246.8	273.8	294.0	297.4	300.4	303.4
EPS - basic normalised (\$)		(0.03)	0.02	0.01	0.03	0.05	0.04	0.05	0.05
EPS - diluted normalised (\$)		(0.03)	0.02	0.01	0.03	0.05	0.04	0.05	0.05
EPS - basic reported (\$)		(0.19)	(0.02)	0.00	(0.07)	0.02	0.11	0.03	0.04
Dividend (\$)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		42.0	44.5	42.2	12.5	10.1	2.0	13.8	13.8
Gross Margin (%)		90.7	92.9	88.9	91.3	97.5	96.6	96.4	96.4
EBITDA Margin (%)		(9.5)	17.9	21.3	27.1	36.9	31.6	31.9	32.8
Normalised Operating Margin		(16.5)	13.7	9.0	20.5	29.9	25.3	25.0	26.1
<b>BALANCE SHEET</b>									
Fixed Assets		26.9	23.0	52.2	69.8	71.9	67.0	67.2	66.7
Intangible Assets		25.8	22.5	46.8	65.6	63.1	58.4	59.2	59.7
Tangible Assets		0.4	0.3	3.5	3.8	5.7	5.5	5.4	5.4
Investments & other		0.7	0.3	1.8	0.5	3.1	3.2	2.6	1.6
Current Assets		79.3	84.0	89.2	155.2	145.0	216.5	241.6	275.0
Stocks		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors		59.1	51.7	53.6	92.5	82.6	94.4	101.6	110.8
Cash & cash equivalents		18.7	31.1	34.7	61.3	56.7	116.3	134.2	158.4
Other		1.4	1.3	0.9	1.4	5.8	5.8	5.8	5.8
Current Liabilities		(78.0)	(79.6)	(81.8)	(139.7)	(122.1)	(160.1)	(170.6)	(185.9)
Creditors		(75.5)	(77.4)	(78.0)	(136.8)	(119.6)	(158.6)	(169.1)	(184.3)
Tax and social security		0.0	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)	(1.1)	0.0	0.0	0.0
Other		(0.0)	0.0	(1.7)	(1.4)	(1.3)	(1.4)	(1.5)	(1.6)
Long Term Liabilities		(0.2)	(0.8)	(2.6)	(13.6)	(12.3)	(5.7)	(5.7)	(5.7)
Long term borrowings		(0.0)	0.0	0.0	(10.8)	(6.7)	0.0	0.0	0.0
Other long term liabilities		(0.1)	(0.8)	(2.6)	(2.8)	(5.7)	(5.7)	(5.7)	(5.7)
Net Assets		28.0	26.6	57.0	71.8	82.4	117.8	132.5	150.1
Minority interests		0.0	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	117.8	132.5	150.1
<b>CASH FLOW</b>									
Op Cash Flow before WC and tax		(2.3)	6.3	7.4	15.3	22.9	20.0	23.0	26.9
Working capital		1.0	7.2	3.0	20.1	(7.1)	33.3	(2.9)	6.1
Exceptional & other		(5.5)	0.2	(1.3)	(3.8)	0.8	(1.0)	0.0	0.0
Tax		0.0	(0.2)	(0.1)	(0.3)	(0.4)	(1.0)	(1.0)	(1.0)
Net operating cash flow		(6.8)	13.5	9.0	31.3	16.2	51.2	19.2	32.0
Capex		(0.3)	(0.3)	(2.1)	(3.4)	(5.8)	(5.6)	(6.0)	(6.3)
Acquisitions/disposals		0.0	(0.2)	(0.7)	(36.6)	0.0	26.2	6.1	0.0
Net interest		(0.9)	(0.6)	(0.4)	(1.0)	(0.6)	(0.5)	(0.2)	(0.2)
Equity financing		19.8	0.5	0.6	26.2	1.1	(1.6)	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		(1.1)	0.2	(1.5)	(2.6)	(6.1)	(1.2)	(1.2)	(1.2)
Net Cash Flow		10.6	13.1	4.857	13.8	4.8	68.6	17.9	24.3
Opening net debt/(cash)		9.9	(16.2)	(28.9)	(32.6)	(49.0)	(48.8)	(116.3)	(134.2)
FX		0.4	(0.5)	(1.1)	1.3	(0.6)	0.0	0.0	0.0
Other non-cash movements		15.1	(0.0)	(0.0)	1.2	(4.4)	(1.1)	0.0	0.0
Closing net debt/(cash)		(16.2)	(28.9)	(32.6)	(49.0)	(48.8)	(116.3)	(134.2)	(158.4)

Source: Boku, Edison Investment Research



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