EDISON

Boku

FY22 results

Helping merchants navigate payments complexity

Software and comp services

Boku's FY22 results reflect a return to pre-COVID customer behaviour and company spending, investment in its platform to support local payment methods (LPMs) and the negative effect of the strong dollar on reported results. Growth in LPM users accelerated in the year and is likely to be boosted further as the Amazon relationship develops. With plans to double revenue and grow EBITDA margins by c 18pp in the medium term, Boku looks well positioned for earnings growth over the forecast period.

Year end	Revenue ($m)	EBITDA* ($m)	Diluted EPS* (c)	DPS ($)	P/E (x)	EV/EBITDA (x)
12/21	62.1	22.9	4.7	0.0	34.9	16.9
12/22	63.8	20.5	4.0	0.0	41.5	19.0
12/23e	72.1	23.1	4.4	0.0	37.4	16.8
12/24e	82.1	27.0	5.3	0.0	31.0	14.3

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

FY22: Constant currency revenues +14%, TPV +20%

Total payment volume (TPV) increased 8% y-o-y to $8.9bn (20% in constant currency). Boku reported revenue growth of 3% or 14% on a constant currency basis as the take rate decline slightly from 0.75% to 0.72% y-o-y. Increased investment in the platform, particularly to support LPMs, resulted in EBITDA declining 11% for a margin of 32.1%. Normalised diluted EPS of 4.0c was broadly in line with our forecast. LPMs made up 7% of year-end monthly active users (MAUs) and 15% of new users in FY22, up from 3% and 5% respectively in FY21. The company launched 150 new connections for existing and new merchants in the year, of which 50 were for LPMs and 30 for bundling.

LPM positive momentum supports mid-term outlook

The company recently outlined its ambitions to double revenue and increase EBITDA margins above 50% in the medium term, with the majority of growth expected from the roll out of eWallets and real-time payments to major merchants. We have made minor changes to our FY23 and FY24 forecasts and introduce forecasts for FY25. We forecast double-digit revenue growth for FY23–25, EBITDA and operating margin expansion from FY24 as investment in the platform moderates and strong cash generation over FY23–25.

Valuation: LPMs to drive upside

Boku is trading at a discount to its peer group on EV/EBITDA multiples for FY23. Via a reverse DCF that uses our forecasts to FY25 (which are more conservative than the company's mid-term targets would suggest), we estimate that the share price is factoring in revenue growth of 6.5% and average EBITDA margins of 36% for FY26–32, well below the company's targets. In a DCF factoring in meeting the targets by FY27, we estimate the share could be worth 223p. A growing contribution from Amazon, continued adoption of LPMs and new major merchant sign-ups are the main triggers to achieve this, in our view.

22 March 2023

Price	**135p**
Market cap	**£400m**
	$1.22/£
Net cash (US$m) at end FY22* *Excludes restricted cash of $17.0m	99.6
Shares in issue	296.2m
Free float	94.1%
Code	BOKU
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	(4.3)	1.1	5.5
Rel (local)	1.4	0.8	6.5
52-week high/low		153p	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 370 employees, with its main offices in the US, UK, Estonia, Germany and India.

Next events

AGM	24 May 2023

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Edison profile page

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Investment summary

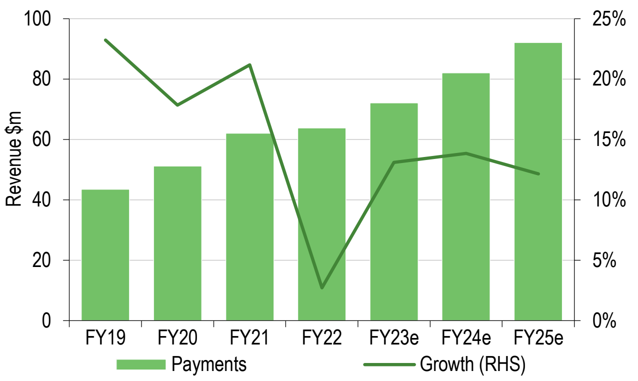
Helping merchants to grow their businesses

Boku has developed and operates a platform that connects merchants with alternative payment methods. This supports mobile commerce through the following routes: direct carrier billing (DCB), digital wallets and real-time payments. Key investment considerations include:

- Boku is focused on helping merchants to acquire, monetise and retain customers by simplifying the process through which merchants can offer local payment methods. It views its competitive advantages as reach, breadth of offering, quality and performance.
- Boku has expanded the payment types it can process to include digital wallets and real-time payments and is actively looking at other alternative payment methods where its merchant relationships and customer service give it a competitive edge. This expands the addressable market to include the whole e-commerce market (c $5.7tn) as opposed to that for digital content only (c $300bn).
- Boku's platform is built to scale; additional transactions can be processed at minimal marginal cost giving Boku the flexibility to offer attractive pricing and providing strong operating leverage.
- The DCB business is well established with more than 200 carrier connections in more than 80 countries. While DCB is often used in markets where credit/debit card ownership is low, Boku is more focused on developed markets, where the ease of setting up and making DCB payments is a powerful tool for attracting customers to digital content merchants.
- Boku has signed up major merchants in key digital content categories, for example Apple and Microsoft for app stores, Amazon for video streaming and bundling, Spotify for music, Netflix for video streaming, Facebook and Sony for games. By focusing on the largest merchants in each category, it can more efficiently scale as transaction volumes grow.
- The company should see growth from its existing merchant base over the next three years, as they execute their geographic roll-out plans and widen the services they take from Boku to include local payment methods in addition to their existing DCB connections.

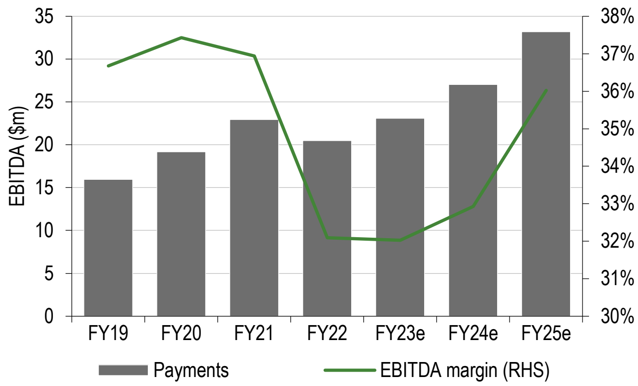
Financials highlight margin expansion post LPM investment

Exhibit 1: Revenue progression, FY19–25e



Source: Boku, Edison Investment Research. Note: Continuing operations only.

Exhibit 2: EBITDA progression, FY19–25e



Source: Boku, Edison Investment Research. Note: Continuing operations only.

In January, Boku reported headline figures; FY22 revenue and EBITDA came in slightly ahead of these. Revenue grew 3% y-o-y, or 14% in constant currency, with growth slowing after two years of COVID-boosted revenues. Boku invested to build out its platform to support local payment methods and this combined with slower revenue growth resulted in the EBITDA margin decline in FY22. As

LPMs contribute to revenue growth and investment in the platform reverts to more normal levels, we forecast EBITDA margin expansion. We forecast normalised group EBIT margins to grow from 24.8% in FY22 to 29.3% by FY25 and we forecast continued growth in cash over the next three years. For normalised EPS, we forecast a CAGR of 18.7% from FY22 to FY25e.

Trading at a discount to peers

On EV multiples, Boku is trading at a discount to payment processing peers. A DCF based on the company achieving its medium-term growth targets suggests a share price of 223p. Key catalysts for the share price would be a growing contribution from local payment methods, including Amazon, and new major merchants signing up.

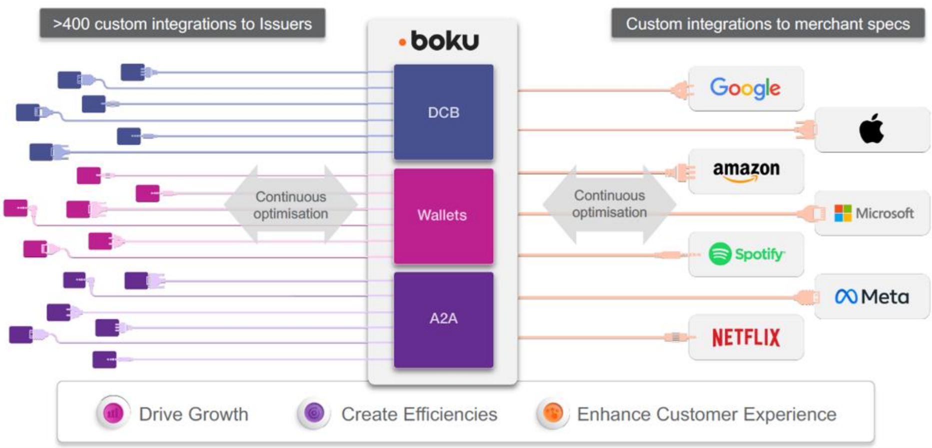
Factors influencing growth and profitability

As well as the usual risk factors relating to competition, regulation and the company's technology platform, we see potential for merchant-related factors to influence our forecasts and the share price, both on the upside and downside. For existing merchants, this includes the pace of roll-out to new carriers and countries, the adoption of LPMs as a payment mechanism, the rate of growth in the underlying adoption of digital content, the competitive positioning of major merchants, customer concentration, and the fact that some contracts contain short notice periods.

Company description: Payment solution provider

Boku's technology has been developed to support mobile commerce, which takes advantage of the more than 5.4 billion global mobile phone subscribers. Evolving from the platform that the company built to support DCB, Boku's Mobile First (M1ST) network connects more than 400 alternative payment methods (ie not debit/credit card) with c 300 merchants, enabling merchants to offer their customers local payment options such as eWallets, real-time payments or DCB.

Exhibit 3: Boku's M1ST network connects merchants with local payment options



Source: Boku

Boku manages the payment transactions on behalf of the alternative payment providers and merchants but, more importantly, provides a route to market to a section of consumers who may be more difficult to reach via traditional customer acquisition methods. Boku has seen rapid growth in transactions processed via its platform and we believe this growth should continue as alternative payment providers and merchants join the network.

Boku: A short history

Boku was founded in 2008 by Mark Britto, Erich Ringewald and Ron Hirson. In 2009, Boku acquired DCB companies Mobilcash and Paymo, and shortly after launched its DCB service. The first product was Boku Checkout, which added the cost of items acquired to the consumer's mobile phone bill or reduced their pre-paid credit. This was popular with gamers, as it enabled them to pay for games on their PCs, social gaming on Facebook and multi-player online games. In 2012, Boku acquired Qubecell, an Indian DCB company, which gave the company access to Indian mobile network operators (MNOs) and, more importantly, development resource. With the signing of Sony as a merchant in 2013, Boku enabled purchases to be made from games consoles. In 2014, Boku acquired Mopay, its main competitor, for $24m. In 2015, Boku launched its second product, Boku Account, which provides the phone equivalent to 'card on file', supporting upgrade and repeat purchases. In 2016, the company launched Boku Acquire, which supports the bundling of additional products and services within a subscriber's carrier plan. Boku listed on AIM in November 2017, raising £15m at 59p per share. In January 2019, Boku acquired Danal, a US-based provider of identity verification services, for $25.1m (sold on 1 March 2022 for $32.3m). To consolidate its position in the DCB market, Boku acquired Estonian-based Fortumo in 2020 for an enterprise value of $37.8m. The company has c 370 employees, with its main offices in the UK, US, Germany, Estonia and India.

Growth strategy: Evolve into a mainstream payments platform

Boku's mission is to grow and monetise transactions for billions of consumers around the world. It aims to do this by building the company into a mainstream fintech payment platform specialising in mobile-native, next-generation payments.

With a wide network of carriers and a growing number of digital wallet and real-time payment providers connected to the platform, this offers an attractive way for merchants to access new customers. In turn, as more merchants sign up, it makes the Boku platform more attractive to alternative payment providers. Boku plans to grow its business in mainstream payment methods by:

- **expanding the M1ST network** to encompass the leading local payment methods, such as eWallets, in the countries where the new middle class resides;
- **building the highest-quality connections to enable merchants to sell more.** Products are expanding beyond the requirements of the digital content industry to embrace other merchant sectors, including digital advertising, software, travel and general e-commerce; and
- **enhancing regulated payment and settlement capability** to support merchants to not only process transactions, but also get settled in the currency of their choice with the frequency and speed they wish.

While Boku has c 300 merchants using its platform, we expect that the majority of revenue will come from a small number of large merchants. We see growth from the following factors:

- adding more payment types (eg eWallets, real-time payments);
- connecting more carriers with existing merchants (the average merchant is connected to less than 10% of the carriers on the network);
- adding more merchants;
- growth in demand for digital content and growth in the wider e-commerce market; and
- growth from existing DCB and eWallet connections.

Potential to double revenues and reach 50% EBITDA margin

At its recent capital markets day, the company outlined its medium-term financial targets:

- **Revenue:** to double, with revenues from real-time payments expected to overtake eWallets. This also assumes more modest growth from DCB with loyal customers and continued growth in digital content. The majority of growth is expected to come from existing major merchants with a more limited contribution from new merchants. Depending on the definition of medium term, doubling over five years implies a revenue CAGR of 14.9%; over six years, it would be 12.2%.
- **Take rate:** expected to increase from the current level as LPM take rates are higher than the group average.
- **Gross margins:** to remain at 97%.
- **Opex:** headcount growth is expected to slow, platform costs are fixed and most of the regulated infrastructure has been built.
- **EBITDA margin:** to expand to more than 50% from the 32% reported in FY22.

Management: Strong background in payments

The members of Boku's board and senior management team have many years of experience in the payments industry. CEO Jon Prideaux's previous experience includes roles as the deputy CEO at SecureTrading (a privately owned payment processor) and as EVP of marketing at Visa Europe. CFO Keith Butcher previously held the role of CFO at Optimal Payments, which became Paysafe, and DataCash Group, which was acquired by Mastercard. Jon and Keith are supported by Chief Operating Officer Chris Newton-Smith, Chief Business Officer Mark Stannard, Chief Product Officer Adam Lee and Chief Technology Officer Keegan Flanigan. Non-executive Chairman Dr Richard Hargreaves and Non-executive Directors Stewart Roberts, Mark Britto, Charlotta Ginman, Meriel Lenfestey and Loren I Shuster bring experience in venture capital investing, the payments industry, human resources, technology and telecom companies and AIM companies.

Exploiting the growth in alternative payment methods

Boku's aim is to support merchants to acquire, monetise and retain mobile-first customers. The company's original focus was on the direct carrier billing market. This is still the main revenue and profit generator for the group, but the company now also supports digital wallets (eWallets) and real-time payments as payment options that merchants can offer to their customers.

Recognising that mobile commerce is the fastest growing segment of e-commerce, Boku has evolved its platform to incorporate multiple mobile payment methods with one integration, supporting more than 400 payment methods across 91 countries. Boku estimates it has access to 7.3bn user accounts via these payment methods (c 4.0bn for carrier billing and 3.3bn for eWallets/real-time payments).

Debit and credit cards not the only way to make payments

Mastercard and Visa-based payments (both debit and credit) have grown solidly over the last 12 years at a combined CAGR of 10.5% since 2010. In the UK, debit and credit cards made up 51% of online payments by value in 2021 (source: Worldpay Payments Report 2022) with eWallets (eg PayPal, Apple Pay, Google Pay) making up 32%. In the US, cards also made up 51% of online payments with eWallets at 30%. However, looking at these statistics globally, eWallets made up 49% of online payments with card payments at 34% due to the popularity of eWallets in Asia, where they made up 69% of online payments in 2021. Popular wallets in Asia include Alipay, WeChat Pay, Paytm, GoPay and GrabPay. Exhibit 4 shows how the split of online payments has shifted in favour of local payment methods (which include DCB, eWallets and real-time payments) even while card-based payments have shown strong growth.

While real-time payments (also known as account-to-account (A2A) payments) make up a smaller share of e-commerce payments volume (c 7% in 2021 according to Worldpay), they are growing rapidly. These schemes allow consumers to make payments directly from their bank accounts, with no involvement from the card schemes, and can also be used for business-to-business transactions. Schemes tend to be country specific, for example Faster Payments in the UK, Pix in Brazil and UPI in India, and therefore there is no standardisation from country to country. Boku estimates that in the longer term, real-time payments are likely to overtake eWallet payments.

Exhibit 4: Payments growth masks shift to alternative methods

Source: Boku

Making the complex simple

The process for accepting debit and credit cards is standardised, with Visa and Mastercard setting out rules for the use of their networks and banks well integrated into these networks. Other payment mechanisms, however, do not follow such a standardised approach. This is the area that Boku is focused on, helping merchants to offer the right mix of payment options in each country, even if some of those methods are complex to integrate with. Boku works with merchants and alternative payment providers to integrate them into its platform, undertaking the custom work to make this happen, rather than forcing them to follow Boku's own processes.

Initially Boku focused on DCB; this requires integration with carriers in each country in which the merchant wants to offer this as an option, and carrier back-office operations within a group can vary widely from country to country. We discuss below the DCB market and Boku's DCB operations in more depth. Recognising that other payment methods, such eWallets and real-time payments, are also significantly more difficult to integrate with than standard card payments, Boku started investigating this area in 2019. Exhibit 5 shows the progress it has made integrating eWallets into its platform and the roadmap for further integration.

Exhibit 5: eWallet coverage

Source: Boku

Boku started integrating real time payments more recently (see Exhibit 6) so has more work to do to get wide coverage.

Exhibit 6: Real-time payments coverage

Source: Boku

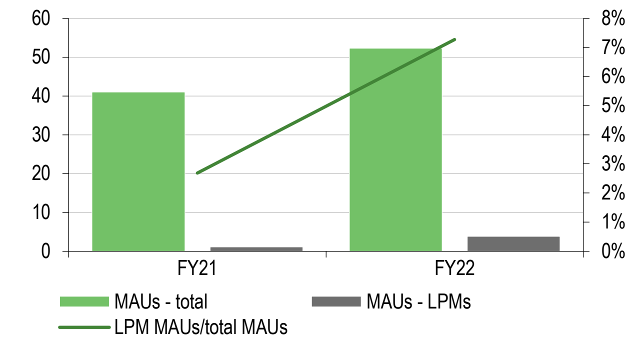
Gaining access to the wider e-commerce market

As DCB operates at a higher cost than other payment mechanisms such as debit cards, Boku believes there is a natural ceiling on the size of the DCB market, estimating that it is unlikely to exceed a 15–20% share of checkout. According to an Ovum report, Apple App Store and Google Play saw 15% of their worldwide revenue come from DCB after it was adopted. Considering that the digital entertainment market is worth c $300bn, this would equate to a maximum total addressable market of c $60bn. Adding alternative payment methods to the M1ST network offers a twofold benefit for Boku: the company has the potential to win a greater share of the digital content checkout; and, in addition, it widens the addressable market for Boku to include all e-commerce ($5.7tn in 2022 per Statista), as opposed to just the digital content that can be acquired using DCB. In the same way that digital content merchants use Boku as a combined customer acquisition tool and payment processor, we expect offering wallets as an alternative payment mechanism will appeal to global merchants wanting to access consumers in regions with strong wallet usage such as South-East Asia. Conversely, using Boku should be attractive to wallet operators wanting to attract new merchants. As an example of the scope to grow within existing customers through supporting LPMs, one major merchant allows customers to pay for digital advertising via LPMs, with 16 connections in nine countries by the end of FY22.

LPMs the main growth driver for Boku

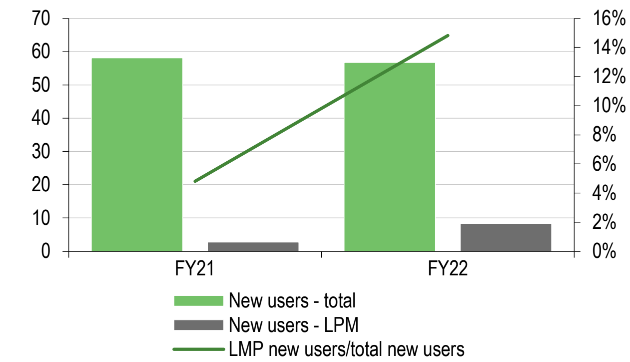
Boku has already made good progress with LPMs. By the end of FY22, there were nearly 50 live connections for LPMs, including a large games merchant connection with Alipay and WeChat Pay in China. Of its major merchants, Amazon, Sony, Meta, Netflix and Spotify are customers for both DCB and LPMs. In the charts below, we show the progression in MAUs and new users for the group and for LPMs. For both metrics, LPMs more than doubled their contribution to group numbers in FY22. The company disclosed that while LPMs made up 7% of MAUs at the end of FY22, they made up more than double that in terms of revenue, we assume through a combination of higher than group average take rates and larger transaction sizes, which makes sense considering that these methods do not have limits on the amount that can be spent each month, unlike for DCB.

Exhibit 7: Monthly active users (MAUs)



Source: Boku

Exhibit 8: New users



Source: Boku

Amazon contract for LPMs to drive future growth

In September 2022, Boku signed a contract to supply its digital wallet and other local payment methods to Amazon. Boku will process payments for Amazon Prime Video subscriptions for customers located in certain countries in South-East Asia and Africa. The contract has been signed for a minimum period of three years, with annual contract renewals thereafter. The company is targeting the launch of 12 eWallets across five countries in Q123. As part of this contract, Boku has issued warrants to Amazon to subscribe to up to 11.2m Boku shares (discussed in more depth in the Financials section) based on Amazon achieving certain revenue targets. Boku already provides DCB services for Amazon bundling, although this is one of Boku's less material DCB contracts. This contract provides the potential for more material revenue flows from Amazon. Management noted that this contract arose from a referral from another major merchant and was won due to Boku's ability to manage subscriptions within wallets.

Competition tends to come from local providers

While the traditional payment processors such as Worldpay and Adyen could represent competition, they tend to focus on high-volume, standard payment methods, and expect merchants to fit with their way of working rather than the other way round. One merchant customer noted that when it moved from using a card processor to Boku, it saw more than a 35% revenue uplift on the LPM connection; another quoted a 20% uplift. Boku is more likely to see competition from local payment specialists, for example dLocal and Rapyd. Management believes its differentiators are that it has now built up a larger roster of wallet providers than the competition, with an optimised user experience and the ability to manage recurring transactions. It is willing to work with merchants so that the wallets integrate with their processes, rather than the other way around.

DCB: Well-established growth business

While future growth is likely to predominantly be driven by LPMs, DCB is still the main source of revenue and profit for Boku. We explain how DCB works and why it has proven so attractive to major merchants of digital content.

Market drivers: Smartphones, digital content, ease of use

The DCB payment method uses a consumer's mobile bill (pre-paid credit or post-paid monthly bill) as the means to pay for digital content or services. The market started before the widespread adoption of smartphones with the provision of premium SMS. DCB then evolved as a way to pay for products on PCs, mainly computer games. It offers a good way to make smaller payments as these typically do not hit carrier monthly credit limits and it provides a simpler way to pay for things than repeatedly having to enter card details. Smartphones enabled a new market: digital content consumed and paid for on the mobile. Having a simple, frictionless way to pay is even more important on a phone. Typical content that is paid for with DCB includes games for computers, consoles and phones, music, video and apps.

We summarise below the key benefits of DCB for consumers, merchants and carriers.

- **Consumer – frictionless payment method.** DCB provides a payment method to consumers who are concerned about the security risks of using their card online or do not want the inconvenience of entering card details every time.
- **Merchant – cheaper customer acquisition channel.** Through one connection to Boku's platform, a merchant can access many carriers and their subscribers without having to connect individually to each carrier. This gives merchants access to a market that might not otherwise buy their products. This also explains why they are willing to offer DCB despite its high cost compared to card payments, as they view the fees as a combination of a payment processing fee and customer acquisition cost. On average, a merchant moving onto Boku's platform can expect to see a 20% uplift in volumes.
- **Carrier – one connection to access incremental revenue opportunities.** Through one connection to Boku, a carrier can support a variety of merchants and drive incremental revenue streams. The carrier can typically earn 5–15% of the transaction value for delivering customers to merchants. Offering subscription services as part of a bundled contract can also increase subscriber retention.

For content acquired from an app store using DCB, a typical revenue split could see the app developer earn 79%+, the app store 15%, the carrier 5% and Boku 1%. Both the merchant and the carrier benefit from a material proportion of the value of the content sold. Boku's margin will vary in size depending on the work undertaken to enable the payment.

Merchant views on using DCB

At its recent capital markets day, two customers of Boku's DCB services explained their approach to selecting payment providers.

- **Spotify** started working with Boku in 2012 and now has 60 carrier connections. It uses alternative payment methods to reach new customers, to match customers' payment preferences and to access challenging markets. It allocates volume across its payment providers according to their performance (ie their acceptance rates). It chooses payment methods on a country-by-country basis and aims to have the optimal mix of options at the checkout (this does not mean the most), decided on after testing to assess efficiency.
- **Netflix** started working with Boku in 2016, with a focus on Asia. It reached three countries with four DCB connections by 2018, 10 countries with 14 DCB connections by 2020 and 20

countries with 32 DCB connections and nine wallet connections by 2022. It selects its payment providers based on their ability to scale, improve reach and provide a seamless and secure solution, and Boku met these criteria. Key metrics that Netflix monitors include conversion rates, churn rates and fraud. Netflix is keen to future-proof its services and this often means being an early adopter of new payment methods.

Boku's DCB payment solutions

Boku signs up merchants through a direct sales approach and offers services for one-off payments, repeat transactions and bunding. For **one-off payments**, when a consumer reaches the payment page for an online merchant they are presented with the 'pay by mobile' option, which allows them to charge the cost of the item to their mobile phone bill (pre- or post-paid). Once the consumer has entered their mobile phone number, they are sent a text message asking them to confirm the transaction. The service for **repeat payments** is more deeply integrated with the carrier, connected to its identity verification systems. It provides 'phone number on file' capability, like the 'card on file' functionality offered by many online retailers. The consumer's phone number is used for all subsequent purchases without confirmation needed from the consumer. It is particularly useful for merchants that want to improve their activation rates, for example merchants offering freemium subscription services can use Boku to capture consumer payment details at the start of the relationship, easing the upgrade to a paid subscription. Boku also offers a **bundling** service that supports carrier-led customer acquisition. This enables carriers to bundle third-party products and services into their plans. For example, several operators provide free trial periods of Apple Music or Spotify as part of a monthly plan that will hopefully result in a subscriber signing up for the paid service after the trial period.

DCB by end-market

Boku has been successful in signing up the largest merchants in the main digital content categories. In some cases, Boku is the sole DCB provider. In others, the merchants split the carriers across two or more DCB providers. In the table below, we summarise the main content categories, the size and growth potential of each category, and Boku's position within it.

Exhibit 9: Digital content addressable market and customers

Digital content	App stores	Games	Music	Video	Other
Type of content	All content acquired in app stores, eg apps, games, music	Games played on PCs, consoles, mobiles	Music streaming services	Video on demand services	e-books, parking apps, dating apps
Market size/growth	2021 revenues: App Store $85bn, Google Play $48bn (source: Sensor Tower); total 2022 app store revenues $167bn, -2% y-o-y (source: Data.ai)	Est $184bn in 2022 (-4.3% y-o-y); decline as market returned to pre-COVID behaviour (source: NewZoo).	Est $26.6bn in 2022; CAGR 8.1% 2022–26 (source: Statista)	Est $95bn in 2022, CAGR 10.7% 2022–27 (source: Statista)	N/A
Merchants	Apple App Store, Google Play, Microsoft Store	Sony, Microsoft, Apple, Facebook, Activision Blizzard, Epic Games, EA Games, Riot Games, Tencent Games, Xsolla, Pearl Abyss, Antstream	Spotify, Apple, Deezer, AWA	Netflix, Apple, ALTBalaji, Disney, ByteDance (TikTok), Amazon Prime, iQIYI, DAZN	Legimi, Tinder
Comments	Sole provider to Apple (to date) covering 50 countries and 122 MNOs		Spotify and Apple combined have over 40% of paid subscriber market		

Source: Edison Investment Research

Competitive landscape

The DCB market has consolidated in recent years, with Boku acquiring Fortumo in 2020 and Bango acquiring Docomo Digital (NTT Docomo's DCB business) in 2022. Boku also competes with carriers connecting directly to merchants to provide DCB. We would expect more carriers to migrate to the third-party model to access merchant connections more easily.

Growth strategy for DCB solutions

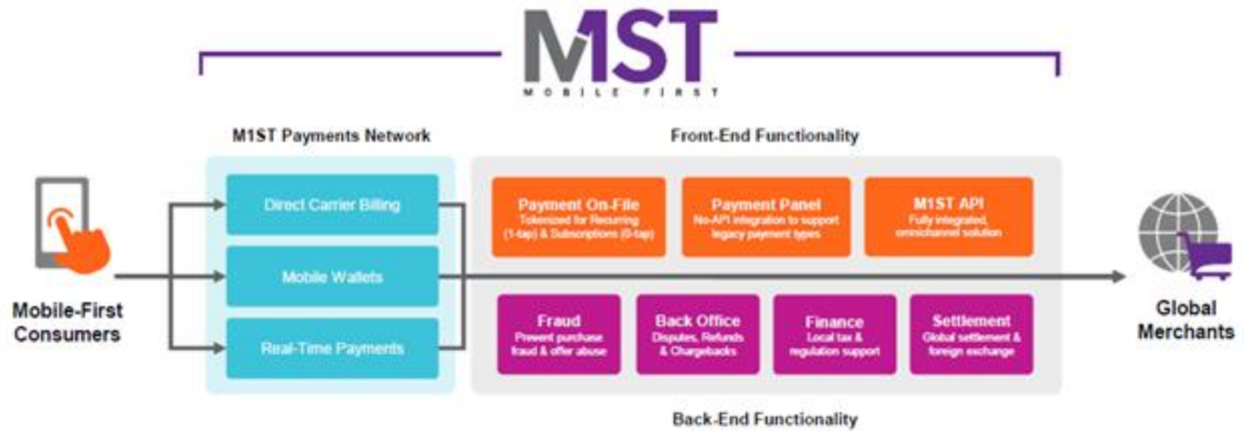
Boku believes it has a good medium-term growth opportunity from its **existing merchant base**, mainly through connecting them to more potential consumers. The decision on who to connect to tends to be merchant led, particularly with merchants like Apple, which decide where they want to offer carrier billing, but Boku also suggests new connections to merchants, both in terms of new countries and adding carriers in existing countries. Currently, merchants are connected on average to less than 10% of carriers in the network. The company also continues to sign up **new merchants**, with a particular focus on those that have a strong position in their given market.

Growth in the **adoption of digital content** should drive growth in transactions. In addition, it can take 20 months for a merchant to see optimal adoption from existing carriers; initially only new users will be using the service, but as existing users' cards expire, they are made aware of the DCB option.

How the M1ST platform works

Boku connects all merchants, carriers and local payment method providers to its M1ST (mobile first) payments network. Exhibit 10 shows the main functions of the platform.

Exhibit 10: Boku's Mobile First (M1ST) Network



Source: Boku

The merchant makes its connection to M1ST; carriers and wallet providers separately connect in via application programming interfaces (APIs) and integrate with their own billing systems. This process can take three to six months and for carriers, tends to be done on a country-by-country basis. Typically, a merchant specifies which alternative payment methods it wants in which geographies and will develop a roll-out plan with Boku. In some cases, Boku suggests to merchants that certain methods should be considered. Boku will also suggest merchants to carriers/wallets. As the integration process is so time-consuming, once connected to Boku's platform, a merchant is unlikely to switch to an alternative DCB provider, resulting in a sticky customer base.

Built for scale

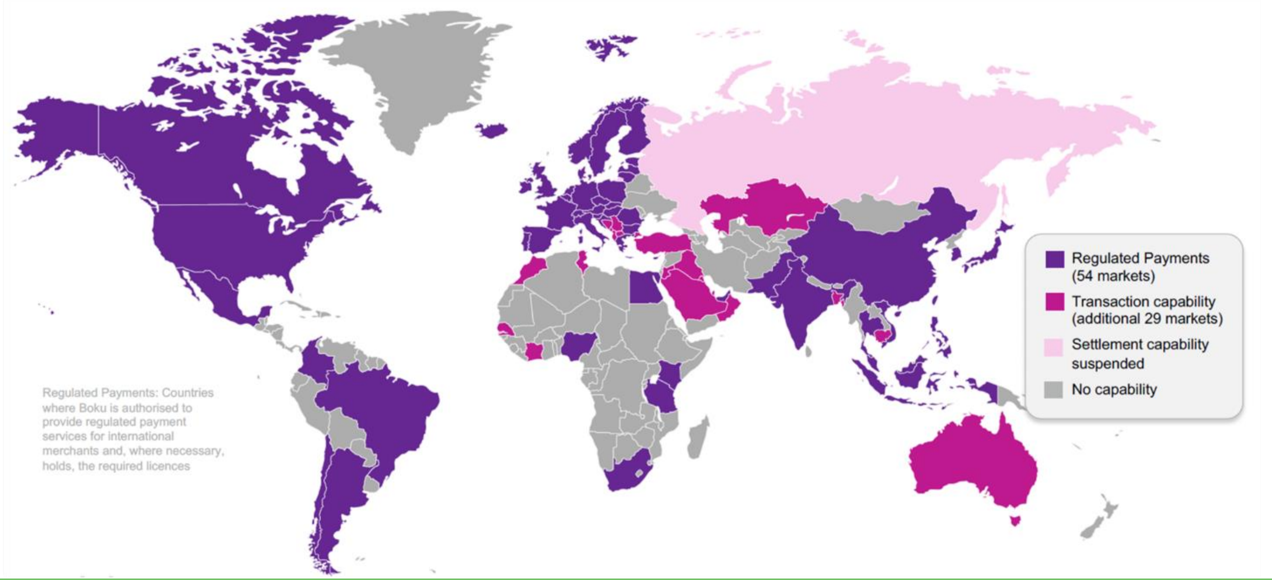
Boku has spent more than $150m to date to build and maintain its platform. The platform is cloud-based, hosted by AWS in two independent regions running active/active with one second failover. It has a 99.99% success rate SLA (service level agreement). The platform has seen a peak throughput of 400 transactions per second (TPS) and has capacity for more than 1,000 TPS. Each region can handle 100% of maximum capacity. The platform is ISO 27001 certified and in 2022 underwent 50 external security assessments. The company invests in continuous optimisation of the platform to improve conversion and authorisation rates.

Boku has 150 bank accounts across 34 entities and covering 33 local currencies. Its settlement operations for LPMs provide daily settlement and merchant reporting. It provides funds segregation, reporting to regulators and tax compliance, and its treasury services ensure funds are available to merchants in the right currency and entity, offering competitive FX rates.

Regulatory considerations

Operating globally, Boku comes under the remit of a number of different regulatory regimes. It must also comply with anti-money laundering (AML) and counter-terrorism financing (CTF) regulations in the countries in which it operates. DCB tends to be exempted from money transmission regulations as long as transaction limits are respected. As Boku has expanded its offering to alternative payment methods, it is going through the process of obtaining the necessary licences in the territories in which it operates. It can currently process regulated payments in 54 countries, with licences in Hong Kong, India, Ireland (passported across the EEA), Malaysia, Singapore, the Philippines, the UK and the US, and with applications and partnerships in several other countries.

Exhibit 11: Current regulatory coverage



Source: Boku

ESG approach

Mitigating its environmental impact

Boku considers three aspects relating to the environment:

- **Strategic**: how its strategy can contribute to a better outcome for the planet and its people. Boku is focused on UN Sustainable Development Goal 10, in particular 10.5: 'improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations'. By ensuring Boku entities are registered or have payment approval, it is able to provide regulated payment services in an increasing number of countries globally. Its services can also be used by the unbanked to improve their financial inclusion.
- **Risks:** what risks may need to be considered related to climate change.
- **Operational:** how the company can do good and reduce harm in its day-to-day working. In FY21, Boku started measuring and reporting Scope 1 and 2 emissions. The intensity ratio

(tCO_2 per $m revenue) increased in FY22, reflecting the return to normal operations post COVID lockdowns and the move to larger offices in Estonia. The company uses renewable energy where possible.

Making a positive social impact

Boku aims to have a culture of respect, equity and inclusion. Initiatives include employee engagement, mentoring, training, well-being and work-life balance policies and benefits, and connecting its global workforce. The company has an equity, diversity and inclusion (EDI) committee and recently launched an EDI survey to gauge employees' opinions on a range of topics. As a technology company, management is aware of the gender diversity challenges and is focused on improving the gender balance and pay gap from entry level to senior management and the board.

Financials

For details on the business model, please see the appendix in Edison's April 2022 report.

Review of FY22 results

Exhibit 12: FY22 performance versus FY21 and estimates

$'m	FY21	FY22e	FY22	Diff	y-o-y
Revenue	**62.1**	**63.3**	**63.8**	**0.7%**	**2.7%**
Gross profit	60.5	61.2	62.0	1.3%	2.4%
Gross margin	*97.5%*	*96.6%*	*97.2%*	*0.6%*	*-0.2%*
EBITDA	**22.9**	**20.0**	**20.5**	**2.2%**	**-10.8%**
EBITDA margin	***36.9%***	***31.6%***	***32.1%***	***1.5%***	***-4.8%***
Normalised operating profit	**18.6**	**16.0**	**15.8**	**-1.3%**	**-14.9%**
Normalised operating margin	***30.0%***	***25.3%***	***24.8%***	***-0.5%***	***-5.1%***
Reported operating profit	10.6	8.9	4.5	-48.9%	-57.4%
Reported operating margin	17.1%	14.0%	7.1%	-6.9%	-10.0%
Normalised PBT	17.8	15.5	15.3	-0.8%	-14.0%
Reported PBT	9.9	8.3	4.1	-51.1%	-58.9%
Normalised net income	14.3	12.4	12.3	-0.8%	-14.0%
Reported net income	6.3	32.0	28.9	-9.7%	361.1%
Normalised basic EPS ($)	0.049	0.042	0.041	-1.1%	-15.3%
Normalised diluted EPS ($)	**0.047**	**0.040**	**0.040**	**-1.6%**	**-15.9%**
Reported basic EPS ($)	**0.021**	**0.108**	**0.097**	**-9.9%**	**354.4%**
Net debt/(cash)	(48.8)	(116.3)	(99.6)	-14.4%	103.8%
TPV ($bn)	8.23	8.87	8.87	0.0%	7.7%
Take rate	0.75%	0.71%	0.72%	0.00%	-0.04%

Source: Boku, Edison Investment Research

Boku reported headline revenue and EBITDA for FY22 in January; revenue and EBITDA came in slightly ahead of these numbers. Revenue increased 3% y-o-y, although the strength of the dollar against the currencies in which Boku operates masked constant currency growth of 14%. TPV increased 8% y-o-y to $8.9bn (20% constant currency) and the take rate declined slightly to 0.72%. In FY22, operating expenditure reverted to normal patterns post-COVID and the company continued to invest in building out its platform for alternative payment methods. This included c $1m of spend to prepare for the Amazon contract. It also included supporting the shift from weekly to daily settlement and the cost of seeking regulatory approvals in certain jurisdictions. Because of this higher spend, EBITDA declined 11% y-o-y to a margin of 32.1%. Higher depreciation and amortisation resulted in a normalised operating profit decline of 15% y-o-y, generating an operating margin of 24.8%. The company reported a total of $5.1m in exceptional items: $1.3m for the impairment of the Fortumo domain name (as the company now only uses the Boku brand), $0.3m in charitable donations to Ukraine and a $3.5m fair value adjustment for Amazon warrants (see below for further explanation). Normalised diluted EPS was essentially in line with our forecast.

Disposal of Identity business

On 28 February 2022, Boku sold its Identity business to Twilio for a maximum consideration of $32.5m, including $6.5m of contingent consideration. The company received $17.7m in cash when the deal closed and Twilio repaid an outstanding loan worth $8.1m on Boku's behalf. A working capital adjustment of $0.2m was received in July 2022 and $0.5m of the $6.5m contingent consideration was received in December 2022. The remaining $5.6m of contingent consideration is due by the end of August 2023 assuming no indemnity claims are made.

Balance sheet and cash flow

Boku ended FY22 with a gross/net cash balance of $99.6m (excluding restricted cash of $17.0m and lease liabilities of $3.6m). As the cash balance very much depends on the timing of payments from carriers and to merchants, Boku measures its average cash balance in a given month as this is more representative of the true cash position. In December 2022, the average daily cash balance was $98.8m, compared to $50.8m in December 2021. The company estimates that c $50m of its cash balance is its own cash. Excluding the timing effects of merchant/carrier payments, the company generated operating cash flow before working capital movements of $21.7m, up from $19.0m last year. Boku generated a working capital inflow of $27.9 in FY22 compared to an outflow of $7.1m in FY21, due to the timing effects described above. In FY22, Boku capitalised $4.9m in development costs.

In July 2022, the company announced an £8m share buyback programme that will expire on 30 June 2023. As of today, the company has bought back 3.187m shares at a total cost of £4.06m/$4.92m ($1.87m in FY22 and $3.05m year-to-date). The purpose of the programme is to hold the stock in treasury to be used to satisfy future share-based payment obligations.

Accounting for the warrants issued to Amazon

As part of the contract signed with Amazon discussed earlier, Boku issued warrants to Amazon giving it the right to acquire up to 11,215,142 Boku shares at an exercise price of 81.2p per share over the seven-year period to 15 September 2029. 747,676 warrants vested on the day the deal was signed (16 September 2022). For every $1m of revenue generated from Amazon, 209,350 warrants will vest, up to a maximum total revenue of $50m. The revenue-linked warrants fall within the scope of revenue recognition and financial instruments, which means that on the day the contract was signed, Boku recognised a contract asset for the fair value of the estimated number of warrants that would vest (5,049,288 warrants worth $1.756m) and a corresponding warrant liability for the same amount. On this date, the Boku share price was 77p.

- The **contract asset** is not subject to revaluation and will be amortised over the seven-year warrant period as the warrants vest. The amortisation offsets revenue as it is treated as non-cash consideration payable to a customer and amounted to $25k in H222. The contract asset will change if the estimate of the number of warrants likely to vest changes – by year-end, the estimate had reduced by 57,202 warrants reducing the contract asset and warrant liability by $19k. We estimate the amortisation will amount to $251k per annum as an offset to revenue.
- The **warrant liability** is remeasured at every reporting date with changes in the value taken to the income statement. As the share price had increased to 139.5p by the end of December 2022, the liability was revalued upwards to $5.206m and the difference of $3.47m was treated as a specific item in the income statement. The current value of the warrant liability implies expected revenue of $23.8m over the seven-year vesting period, which we assume would ramp up as Amazon services start to use Boku.

Outlook and changes to forecasts

We make minor changes to our FY23 and FY24 forecasts and introduce forecasts for FY25. We forecast net cash of $128m by the end of FY23 rising to $184m by the end of FY25 (excluding restricted cash).

Exhibit 13: Changes to forecasts

$m	FY23e				FY24e				FY25e	
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	New	y-o-y
Revenue	**72.1**	**72.1**	**0.0%**	**13.1%**	**82.0**	**82.1**	**0.1%**	**13.9%**	**92.1**	**12.2%**
Gross profit	69.5	69.6	0.1%	12.3%	79.1	79.2	0.2%	13.9%	88.9	12.2%
Gross margin	96.4%	96.5%	0.1%	-0.7%	96.4%	96.5%	0.1%	0.0%	96.5%	0.0%
EBITDA	**23.0**	**23.1**	**0.3%**	**12.9%**	**26.9**	**27.0**	**0.5%**	**17.1%**	**33.2**	**22.7%**
EBITDA margin	31.9%	32.0%	0.3%	-0.1%	32.8%	32.9%	0.4%	0.9%	36.0%	3.1%
Normalised operating profit	**18.0**	**17.8**	**-1.6%**	**12.2%**	**21.4**	**21.5**	**0.3%**	**20.9%**	**27.0**	**25.6%**
Normalised operating margin	25.0%	24.6%	-0.4%	-0.2%	26.1%	26.1%	0.0%	1.5%	29.3%	3.1%
Reported operating profit	10.6	10.6	-0.4%	132.8%	14.0	14.3	2.1%	35.2%	19.8	38.4%
Reported operating margin	14.7%	14.6%	-0.1%	7.5%	17.0%	17.4%	0.3%	2.7%	21.5%	4.1%
Normalised PBT	17.7	17.2	-2.7%	12.3%	21.1	20.9	-0.7%	21.6%	26.4	26.2%
Reported PBT	10.3	10.0	-2.3%	147.1%	13.7	13.8	0.7%	37.0%	19.2	39.9%
Normalised net income	14.0	13.6	-2.7%	10.9%	16.7	16.5	-0.7%	21.6%	20.9	26.2%
Reported net income	8.7	8.5	-2.3%	-70.5%	11.6	11.7	0.7%	37.0%	16.4	39.9%
Normalised basic EPS ($)	0.047	0.046	-2.1%	10.8%	0.055	0.055	0.2%	20.7%	0.069	24.9%
Normalised diluted EPS ($)	**0.045**	**0.044**	**-2.6%**	**10.8%**	**0.053**	**0.053**	**-0.3%**	**20.7%**	**0.066**	**25.0%**
Reported basic EPS ($)	0.029	0.029	-1.7%	-70.5%	0.038	0.039	1.7%	36.0%	0.054	38.5%
Net debt/(cash)	**(134.2)**	**(127.7)**	**-4.9%**	**28.2%**	**(158.4)**	**(153.8)**	**-3.0%**	**20.4%**	**(183.7)**	**19.5%**
TPV ($bn)	9.91	9.91	0.0%	11.8%	11.12	11.12	0.0%	12.2%	12.32	10.8%
Take rate	0.73%	0.73%	0.00%	0.01%	0.74%	0.74%	0.00%	0.01%	0.75%	0.01%

Source: Edison Investment Research

Sensitivities

Our forecasts and the share price will be sensitive to the following factors:

- **Pace of growth from existing merchants:** this will depend on the rate at which merchants complete their roll-out plans, the pace of growth of paid-for digital content, the competitive positioning of major merchants and the adoption of wallets as a payment mechanism.
- **Customer concentration:** we estimate that customers contributing over 10% of revenues will make up over half of revenue in FY23–25. The loss of any one major merchant could have a material impact on revenues and profitability. In addition, some of the contracts between Boku and merchants or carriers have short notice periods.
- **Data protection and robustness of the platform:** any loss of customer data or significant downtime for the platform could negatively affect the company's reputation and lead to additional costs in terms of fines and litigation.
- **Competitive environment:** Boku's platform needs to remain competitive with respect to other third-party DCB providers as well as carriers that connect directly with merchants. The company will also need to stay abreast of changes in the payment market as it expands its service offering to encompass alternative payment methods.
- **Regulation:** changes to money transmission, privacy or anti-money laundering regulations in the countries in which Boku operates may affect revenue generation or increase the cost base.

Valuation

On enterprise value (EV) multiples, the company is trading at a discount to the average of its payment processor peer group for FY23. Valuing Boku on the group average EV/EBITDA multiple for FY23 would result in a share price of 151.5p compared to the current 135p share price.

Exhibit 14: Peer valuation multiples

	Share price	Market cap	EBITDA margin		EV/sales (x)		EV/EBITDA (x)		P/E (x)		FCF yield	
		(m)	CY	NY	CY	NY	CY	NY	CY	NY	CY	NY
Boku	**135.0p**	**400**	**32.0%**	**32.9%**	**5.4**	**4.7**	**16.8**	**14.3**	**37.4**	**31.0**	**5.6%**	**5.6%**
Adyen	€ 1,424	43,940	51.4%	55.0%	21.7	16.6	42.1	30.3	61.4	44.8	2.3%	3.3%
Bango	236.5p	182	25.6%	44.5%	4.4	3.8	17.2	8.6	45.1	13.0	-2.2%	6.6%
Block	$77.46	46,633	6.7%	8.1%	2.3	2.0	33.8	24.3	43.8	31.5	2.8%	4.0%
dLocal	$15.82	4,682	36.1%	36.1%	9.9	6.8	27.5	18.8	38.7	25.7	N/A	N/A
FIS	$53.09	31,426	41.8%	42.8%	3.4	3.3	8.2	7.7	9.1	8.2	9.1%	10.7%
Fiserv	$113.04	71,003	43.7%	44.3%	5.2	4.8	11.8	10.8	15.4	13.5	5.6%	6.5%
Global Payments	$102.45	27,025	49.5%	49.9%	4.6	4.3	9.3	8.5	9.9	8.6	8.7%	N/A
PayPal	$76.72	86,799	25.7%	26.4%	3.0	2.7	11.5	10.2	15.7	13.6	7.6%	9.1%
Worldline	€ 39.3	11,011	26.0%	27.6%	3.4	3.1	13.0	11.2	15.9	13.3	5.7%	6.9%
Average payment processors			**34.1%**	**37.2%**	**6.4**	**5.3**	**19.4**	**14.5**	**28.3**	**19.1**	**5.0%**	**6.7%**

Source: Edison Investment Research, Refinitiv (as at 22 March)

We have also performed a 10-year reverse discounted cash flow analysis; this uses our forecasts for FY23–25 and then estimates the revenue growth and margins for FY26–32 implied by the current share price. Based on a WACC of 10% and a long-term growth rate of 3%, we estimate that the market is factoring in revenue growth of 6.5% and an average EBITDA margin of 36% over FY26–32. Based on historical growth and the opportunity arising from the expansion into alternative payment methods, this appears overly conservative. The table below shows the valuation sensitivity to WACC and long-term growth rate (Exhibit 15).

Exhibit 15: Sensitivity of per share valuation (p) to WACC and terminal growth rate

		Terminal growth rate				
		1.0%	**2.0%**	**3.0%**	**4.0%**	**5.0%**
WACC	**7.50%**	160.0	174.7	195.9	229.2	289.2
	8.00%	150.1	162.0	178.8	204.0	245.9
	8.50%	141.5	151.4	164.9	184.4	215.0
	9.00%	133.9	142.2	153.2	168.7	191.8
	9.50%	127.3	134.3	143.4	155.8	173.8
	10.00%	121.4	127.4	**135.0**	145.1	159.4
	10.50%	116.2	121.3	127.7	136.1	147.6
	11.00%	111.5	115.9	121.3	128.3	137.7
	11.50%	107.2	111.0	115.7	121.6	129.4
	12.00%	103.4	106.7	110.7	115.8	122.2

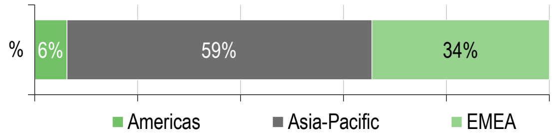
Source: Edison Investment Research

We have also performed a DCF based on the company achieving its target of doubling revenue and reaching EBITDA margins of 50% over a five-year period (revenue CAGR of 14.9% FY22–27) with a fade period for revenue growth after that. This results in a per share value of 223.2p.

Exhibit 16: Financial summary

$m	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
Year end 31 December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue	24.4	35.3	50.1	56.4	62.1	63.8	72.1	82.1	92.1
Cost of Sales	(2.3)	(2.5)	(5.6)	(4.9)	(1.6)	(1.8)	(2.5)	(2.9)	(3.2)
Gross Profit	22.1	32.8	44.6	51.5	60.5	62.0	69.6	79.2	88.9
EBITDA	(2.3)	6.3	10.7	15.3	22.9	20.5	23.1	27.0	33.2
Normalised operating profit	(4.0)	4.8	4.5	11.6	18.6	15.8	17.8	21.5	27.0
Amortisation of acquired intangibles	(1.3)	(1.3)	(1.6)	(2.2)	(1.9)	(1.0)	(1.2)	(1.2)	(1.2)
Exceptionals	(2.2)	(1.4)	(0.3)	(21.1)	0.4	(5.1)	0.0	0.0	0.0
Share-based payments	(1.5)	(4.6)	(6.8)	(4.9)	(6.4)	(5.2)	(6.0)	(6.0)	(6.0)
Reported operating profit	(9.0)	(2.4)	(4.1)	(16.7)	10.6	4.5	10.6	14.3	19.8
Net Interest	(2.4)	(0.6)	(0.4)	(0.6)	(0.7)	(0.5)	(0.5)	(0.5)	(0.5)
Joint ventures & associates	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	(17.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)	(6.4)	4.3	4.1	11.0	17.8	15.3	17.2	20.9	26.4
Profit Before Tax (reported)	(28.5)	(3.0)	(1.3)	(17.3)	9.9	4.1	10.0	13.8	19.2
Reported tax	(0.1)	(1.3)	1.7	(1.5)	1.9	0.2	(1.5)	(2.1)	(2.9)
Profit After Tax (norm)	(4.8)	3.4	3.2	8.8	14.3	12.3	13.6	16.5	20.9
Profit After Tax (reported)	(28.7)	(4.3)	0.4	(18.8)	11.8	4.3	8.5	11.7	16.4
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	0.0	0.0	(5.5)	24.6	0.0	0.0	0.0
Net income (normalised)	(4.8)	3.4	3.2	8.8	14.3	12.3	13.6	16.5	20.9
Net income (reported)	(28.7)	(4.3)	0.4	(18.8)	6.3	28.9	8.5	11.7	16.4
Basic average number of shares outstanding (m)	150.3	217.1	246.8	273.8	294.0	298.3	298.4	300.6	303.6
EPS - basic normalised ($)	(0.03)	0.02	0.01	0.03	0.05	0.04	0.05	0.06	0.07
EPS - diluted normalised ($)	(0.03)	0.02	0.01	0.03	0.05	0.04	0.04	0.05	0.07
EPS - basic reported ($)	(0.19)	(0.02)	0.00	(0.07)	0.02	0.10	0.03	0.04	0.05
Dividend ($)	0.00	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	2.7	13.1	13.9	12.2
Gross Margin (%)	90.7	92.9	88.9	91.3	97.5	97.2	96.5	96.5	96.5
EBITDA Margin (%)	(9.5)	17.9	21.3	27.1	36.9	32.1	32.0	32.9	36.0
Normalised Operating Margin (%)	(16.5)	13.7	9.0	20.5	30.0	24.8	24.6	26.1	29.3
BALANCE SHEET									
Fixed Assets	26.9	23.0	52.2	69.8	71.9	65.7	66.0	67.0	67.8
Intangible Assets	25.8	22.5	46.8	65.6	63.1	56.2	56.7	57.2	57.3
Tangible Assets	0.4	0.3	3.5	3.8	5.7	4.4	4.8	5.3	5.9
Investments & other	0.7	0.3	1.8	0.5	3.1	5.1	4.6	4.5	4.6
Current Assets	79.3	84.0	89.2	155.2	145.0	212.2	246.0	290.0	337.1
Stocks	0.0	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	90.1	101.4	119.3	136.4
Cash & cash equivalents	18.7	31.1	34.7	61.3	56.7	99.6	127.7	153.8	183.7
Other	1.4	1.3	0.9	1.4	5.8	22.6	17.0	17.0	17.0
Current Liabilities	(78.0)	(79.6)	(81.8)	(139.7)	(122.1)	(157.8)	(180.5)	(207.7)	(233.3)
Creditors	(75.5)	(77.4)	(78.0)	(136.8)	(119.6)	(156.3)	(179.0)	(206.2)	(231.8)
Tax and social security	0.0	0.0	0.0	0.0	0.0	(0.2)	(0.2)	(0.2)	(0.2)
Short term borrowings	(2.5)	(2.2)	(2.1)	(1.4)	(1.1)	0.0	0.0	0.0	0.0
Other	(0.0)	0.0	(1.7)	(1.4)	(1.3)	(1.3)	(1.3)	(1.3)	(1.3)
Long Term Liabilities	(0.2)	(0.8)	(2.6)	(13.6)	(12.3)	(8.7)	(8.7)	(8.7)	(8.7)
Long term borrowings	(0.0)	0.0	0.0	(10.8)	(6.7)	0.0	0.0	0.0	0.0
Other long term liabilities	(0.1)	(0.8)	(2.6)	(2.8)	(5.7)	(8.7)	(8.7)	(8.7)	(8.7)
Net Assets	28.0	26.6	57.0	71.8	82.4	111.4	122.9	140.6	163.0
Minority interests	0.0	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	111.4	122.9	140.6	163.0
CASH FLOW									
Op Cash Flow before WC and tax	(2.3)	6.3	7.4	15.3	22.9	20.5	23.1	27.0	33.2
Working capital	1.0	7.2	3.0	20.1	(7.1)	27.9	11.4	9.3	8.4
Exceptional & other	(5.5)	0.2	(1.3)	(3.8)	(3.5)	1.6	0.0	0.0	0.0
Tax	0.0	(0.2)	(0.1)	(0.3)	(0.4)	(0.3)	(1.0)	(2.0)	(3.0)
Net operating cash flow	(6.8)	13.5	9.0	31.3	11.9	49.7	33.5	34.4	38.6
Capex	(0.3)	(0.3)	(2.1)	(3.4)	(5.8)	(5.3)	(5.7)	(6.1)	(6.4)
Acquisitions/disposals	0.0	(0.2)	(0.7)	(36.6)	0.0	26.5	5.6	0.0	0.0
Net interest	(0.9)	(0.6)	(0.4)	(1.0)	(0.6)	(0.2)	(0.5)	(0.5)	(0.5)
Equity financing	19.8	0.5	0.6	26.2	1.1	(1.4)	(3.1)	0.0	0.0
Dividends	0.0	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)	(12.7)	(1.7)	(1.7)	(1.7)
Net Cash Flow	10.6	13.1	4.857	13.8	0.5	56.6	28.1	26.1	30.0
Opening net debt/(cash)	9.9	(16.2)	(28.9)	(32.6)	(49.0)	(48.8)	(99.6)	(127.7)	(153.8)
FX	0.4	(0.5)	(1.1)	1.3	(0.6)	(5.6)	0.0	0.0	0.0
Other non-cash movements	15.1	(0.0)	(0.0)	1.2	(0.1)	(0.3)	0.0	0.0	0.0
Closing net debt/(cash)	(16.2)	(28.9)	(32.6)	(49.0)	(48.8)	(99.6)	(127.7)	(153.8)	(183.7)

Source: Boku, Edison Investment Research

Contact details	Revenue by geography
Second floor 9 Orange Street London, WC2H 7EA UK www.boku.com	

Management team

CEO: Jon Prideaux	CFO: Keith Butcher
Jon joined Boku in 2012 and was appointed CEO in 2014. He has more than 25 years of payments experience: he was an early Visa Europe employee, where he started Visa Europe's e-commerce division. He served on the board of EMVCo, was the chairman of the Compliance Committee and a member of Visa's Global Product and Brand Councils. After leaving Visa in 2006, Jon served as deputy CEO for SecureTrading, where he doubled transaction numbers and quadrupled profitability. He then led a management buy-in at Shopcreator, an e-commerce software platform.	Until his appointment as CFO in October 2019, Keith was an independent non-executive director and chairman of Boku's Audit Committee from the company's admission to AIM in 2017. He has had considerable experience as a listed company CFO and of online payments businesses, including six years as CFO of AIM-quoted online payments company DataCash Group during its period of rapid growth and ultimate sale to Mastercard. More recently, he was CFO of LSE-listed payments company Paysafe Group (formerly Optimal Payments).
Non-executive chairman: Dr Richard Hargreaves	
Richard joined the board as a non-executive director prior to the IPO and was appointed non-executive chairman on 1 June 2022. Richard co-founded Endeavour Ventures in 2006 and has been investing in and advising companies for over 30 years. He began his career at 3i where he spent 10 years before starting Baronsmead and launched one of the first VCTs – Baronsmead VCT (sold to Friends Ivory & Sime in 1995, later becoming ISIS Equity Partners). Richard is a former chairman of the BVCA and has significant experience as a non-executive director on public and private boards.	

Principal shareholders	(%)
Blackrock Investment Management	9.1
Vitruvian Partners LLP	7.2
Capital Research Global Investors	6.9
Canaccord Genuity Wealth Management	6.9
Octopus Investments	6.7
Danske Capital Management	6.1
Boku directors and related parties	5.9
abrdn	5.0
Swedbank Robur	4.4
Danal	3.4

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