

Boku

FY20 trading update

Payments demand drives strong finish to FY20

Boku continued to see strong demand after its early December trading update, finishing the year with revenue and EBITDA ahead of consensus expectations. The Payments business was the driver of revenue upside, and lower costs in both businesses contributed further to EBITDA upside. We have revised our forecasts to reflect the strong H220 performance, upgrading FY20 normalised EPS by 15.5%. We maintain our FY21/22 forecasts as we expect the company to revert to pre-COVID-19 spending behaviour when lockdown restrictions are removed.

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	136.6	88.4
12/19	50.1	7.4**	0.012	0.0	176.3	75.6
12/20e	56.3	15.0	0.029	0.0	73.3	37.4
12/21e	66.4	17.7	0.032	0.0	67.3	31.6
12/22e	77.7	21.1	0.040	0.0	52.9	26.5

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

H220 ahead of expectations

Strong demand in the Payments business continued to the end of the year, driving upside to our revenue and EBITDA forecasts. The Identity business generated revenue in line with our forecast, but lower operating expenditure resulted in a smaller than expected EBITDA loss. Boku now expects to report group revenue of at least \$56.3m and EBITDA of at least \$15.0m for FY20, well ahead of consensus forecasts (\$55.3m and \$13.0m respectively).

Upgrading FY20 estimates

We have revised our forecasts to reflect stronger revenues in the Payments business and lower costs in both businesses for FY20. Boku noted that it had 11 wallets live with 11 merchants in seven countries and, while this has not yet made a material contribution to revenues, volumes are growing strongly from a small base and this product will be the focus of investment in FY21. With good progress made in expanding the supply base, the Identity business is now focused on rolling out new contract wins from FY20. We maintain our FY21 and FY22 forecasts, assuming costs will start to go up as lockdown restrictions are removed.

Valuation: Factoring in wallet potential

The stock has gained 28% since [we last wrote](#) and is now trading at the top end of its peer group on an EV/EBITDA and P/E basis. In our view, this reflects strong payments volume growth from both new and existing merchant connections, a good performance from the recently acquired Fortumo business and anticipation of the potential upside from the wallet business.

Software & comp services

12 January 2021

Price 157p

Market cap £452m

\$1.35:£1

Net cash (\$m) at end H120 60.4

Shares in issue 287.6m

Free float 89%

Code BOKU

Primary exchange AIM

Secondary exchange N/A

Share price performance



%	1m	3m	12m
Abs	14.6	53.2	61.9
Rel (local)	9.9	34.9	77.4

52-week high/low 157p 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 results March 2021

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H220 performance ahead of expectations

Boku provided a trading update in early December, at which point [we upgraded our EBITDA forecasts](#) to reflect lower costs as a result of COVID-19 restrictions. As the busy December trading period was yet to come, we did not materially upgrade revenue forecasts at that time. This update confirms trading remained strong to the end of December and gives more detail on revenue upside and further EBITDA upside by division.

The table below summarises the differences between the results the company expects to report for FY20 and our forecasts. The main upside to revenue came from better-than-expected revenues in the Boku payments business, helped by higher than forecast total processed value, as well as upside to the Fortumo business. While we estimate the Payments take rate for FY20 declined compared to FY19 (from 0.88% to 0.75%), we estimate the H2 take rate increased to 0.77% from 0.71% in H1. The company noted that the addition of Fortumo's settlement business combined with a higher proportion of settlements business for the Boku payments business drove the half-on-half increase.

At the EBITDA level, higher revenues for Boku payments combined with lower opex in H2 (c \$14.65m versus our \$14.90m forecast) resulting in Boku payments EBITDA 5% ahead of our forecast. Costs in the Identity business were also lower than expected (c \$2.53m vs our \$3.13m forecast) resulting in a smaller EBITDA loss than expected.

The company anticipates making a goodwill impairment for the Identity business, reflecting slower growth than anticipated at the date of acquisition.

Exhibit 1: FY20 actuals per trading statement versus estimates

\$m	FY20e	FY20a	diff
Revenue			
Payments	50.3	≥51.1	2%
Boku	46.1	≥46.7	1%
Fortumo	4.2	≥4.4	5%
Identity	5.2	≥5.2	0%
Group revenue	55.4	≥56.3	2%
EBITDA			
Payments	18.0	≥18.8	4%
Boku	16.4	≥17.3	5%
Fortumo	1.5	≥1.5	0%
Identity	(4.4)	≥(3.8)	-14%
Group EBITDA	13.5	≥15.0	11%
TPV	6.6	6.9	4%
Take rate	0.77%	0.75%	-0.02%

Source: Boku, Edison Investment Research. Note: TPV, total processed value.

Active user growth accelerated in H220

The company noted that monthly active users (MAUs) increased from 17.8m at the end of FY19 and 20.3m at the end of H120 to 28.8m at the end of the year (+42% h-o-h). The end FY20 total includes 4.6m for the Fortumo business (acquired 1 July), which implies the Boku payments business saw MAUs increase by 3.9m over H220 (+19% h-o-h), compared to a 2.5m increase in H120 (+14% h-o-h).

We believe this confirms that users who signed up during the various lockdowns around the world are continuing to use Boku's payment services. We note that Apple reported very strong sales through its App Store in December, with customers spending \$1.8bn on/in apps during the week from Christmas Eve to New Year's Eve (+27% y-o-y) and a single-day spending record of \$540m

on New Year's Day (+40% y-o-y). Third-party app analytics companies estimate consumer spending through the App Store increased c 30% in 2020.

Year-end cash balance reflects timing issues

The company reported gross cash of \$62.7m at year-end (up from \$35.6m at the end of 2019) and noted that it had paid down \$7.6m of the \$10m RCF it took out to partially fund the Fortumo acquisition. While net cash was not disclosed, on the basis of the gross cash balance we estimate it is likely to be \$50–51m compared to our forecast of \$18.7m. This reflects the timing of receipts and payments to and from carriers and merchants. The company noted that the average daily cash balance in December was \$46.7m compared to \$22.4m in December 2019.

Changes to forecasts

We have revised our forecasts to reflect the stronger than expected performance in H220, upgrading EPS by 15.5%. For FY21 and FY22, we have maintained our forecasts. FY20 benefited from a reduced cost base due to COVID-19 restrictions but we would expect spending to revert to more normal levels in FY21 and note the company referenced investing in the platform to maximise the wallet opportunity.

Exhibit 2: Changes to forecasts

\$m	FY20e				FY21e				FY22e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	Old	New	Change	y-o-y
Payment revenues	50.3	51.1	1.6%	17.5%	59.5	59.5	0.0%	16.5%	65.7	65.7	0.0%	10.3%
Adjusted Payment revenues	50.3	51.1	1.6%	27.1%								
Identity revenues	5.2	5.2	0.8%	-22.1%	6.9	6.9	0.0%	32.7%	12.0	12.0	0.0%	73.9%
Total revenues	55.4	56.3	1.6%	12.3%	66.4	66.4	0.0%	18.0%	77.7	77.7	0.0%	16.9%
Total adjusted revenues	55.4	56.3	1.6%	20.1%								
Gross profit	50.0	50.8	1.6%	14.0%	59.1	59.2	0.0%	16.4%	67.2	67.2	0.0%	13.5%
Gross margin	90.3%	90.3%	0.0%	1.4%	89.1%	89.1%	0.0%	-1.2%	86.5%	86.5%	0.0%	-2.6%
Payment EBITDA	17.9	18.8	4.5%	17.7%	21.3	21.3	0.0%	13.7%	23.3	23.3	0.0%	9.3%
Adjusted Payment EBITDA	17.9	18.8	4.5%	47.8%								
Identity EBITDA	(4.4)	(3.8)	-13.9%	-28.0%	(3.6)	(3.6)	0.0%	-4.3%	(2.2)	(2.2)	0.0%	-39.6%
Total EBITDA	13.5	15.0	10.5%	40.3%	17.7	17.7	0.0%	18.3%	21.1	21.1	0.0%	19.4%
Payment EBITDA margin	35.7%	36.7%	1.0%	0.0%	35.9%	35.8%	0.0%	-0.9%	35.5%	35.5%	0.0%	-0.3%
Identity EBITDA margin	-85.7%	-73.2%	12.5%	6.0%	-52.8%	-52.8%	0.0%	20.4%	-18.3%	-18.3%	0.0%	34.4%
EBITDA margin	24.4%	26.6%	8.8%	5.3%	26.6%	26.6%	-0.1%	0.1%	27.2%	27.2%	0.0%	0.6%
Total adjusted EBITDA	13.5	15.0	10.5%	102.0%								
Adjusted EBITDA margin	24.4%	26.6%	8.8%	10.8%								
Normalised operating profit	10.0	11.4	14.3%	152.3%	13.5	13.5	-0.1%	18.5%	16.8	16.8	0.0%	24.1%
Normalised operating margin	18.0%	20.3%	2.3%	11.2%	20.4%	20.3%	0.0%	0.1%	21.6%	21.6%	0.0%	1.2%
Reported operating profit	0.5	2.0	267.7%	-321.4%	6.6	6.6	-0.1%	235.1%	10.9	10.9	0.1%	65.9%
Reported operating margin	1.0%	3.5%	2.5%	5.2%	9.9%	9.9%	0.0%	6.4%	14.0%	14.0%	0.0%	4.1%
Normalised PBT	9.2	10.6	15.5%	158.2%	12.3	12.2	-0.1%	15.5%	15.6	15.6	0.0%	27.2%
Reported PBT	(0.3)	1.2	-540.5%	N/A	5.3	5.3	-0.2%	355.9%	9.7	9.7	0.1%	83.2%
Normalised net income	7.3	8.5	15.5%	161.5%	9.8	9.8	-0.1%	15.5%	12.5	12.5	0.0%	27.2%
Reported net income	(0.3)	1.1	-455.6%	N/A	4.8	4.8	-0.2%	351.0%	8.2	8.2	0.1%	73.0%
Normalised basic EPS	0.027	0.031	15.5%	139.0%	0.034	0.034	-0.1%	8.4%	0.043	0.043	0.0%	27.2%
Normalised diluted EPS	0.025	0.029	15.5%	140.7%	0.032	0.032	-0.1%	8.9%	0.040	0.040	0.0%	27.2%
Reported basic EPS	(0.001)	0.004	-455.6%	N/A	0.017	0.017	-0.2%	323.3%	0.029	0.029	0.1%	73.0%
Net debt/(cash)	(18.7)	(50.4)	169.6%	54.4%	(35.7)	(42.7)	19.8%	-15.3%	(55.7)	(63.8)	14.5%	49.3%
TPV (\$bn)	6.56	6.85	4.4%	35.6%	7.82	8.08	3.4%	16.3%	8.87	9.15	3.1%	13.1%
Take rate	0.77%	0.75%	-0.02%	-0.06%	0.76%	0.74%	-0.03%	-0.01%	0.74%	0.72%	-0.02%	-0.02%

Source: Edison Investment Research *Note adjusted revenue and EBITDA in FY19 excludes \$3.3m of one-off revenue.

Exhibit 3: 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	56.3	66.4	77.7
Cost of Sales		(4.1)	(4.0)	(3.2)	(2.3)	(2.5)	(5.6)	(5.5)	(7.3)	(10.5)
Gross Profit		14.2	15.2	14.0	22.1	32.8	44.6	50.8	59.2	67.2
EBITDA		(9.6)	(11.4)	(12.3)	(2.3)	6.3	10.7	15.0	17.7	21.1
Normalised operating profit		(9.8)	(12.4)	(13.8)	(4.0)	4.8	4.5	11.4	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)	2.0	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 (nom)		(10.4)	(12.8)	(15.0)	(6.4)	4.3	4.1	10.6	12.2	15.6
Profit Before Tax (reported)		(15.0)	(16.6)	(21.1)	(28.5)	(3.0)	(1.3)	1.2	5.3	9.7
Reported tax		(0.4)	(0.4)	0.5	(0.1)	(1.3)	1.7	(0.1)	(0.5)	(1.5)
Profit After Tax (norm)		(7.8)	(9.6)	(11.2)	(4.8)	3.4	3.2	8.5	9.8	12.5
Profit After Tax (reported)		(15.4)	(17.0)	(20.6)	(28.7)	(4.3)	0.4	1.1	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	8.5	9.8	12.5
Net income (reported)		(15.4)	(17.0)	(20.6)	(28.7)	(4.3)	0.4	1.1	4.8	8.2
Basic ave. number of shares outstanding (m)		21.3	27.4	140.1	150.3	217.1	246.8	270.0	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 (%)		N/A	4.7	(10.4)	42.0	44.5	42.2	12.3	18.0	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	26.6	26.6	27.2
Normalised Operating Margin		(53.2)	(64.4)	(80.0)	(16.5)	13.7	9.0	20.3	20.3	21.6
BALANCE SHEET										
Fixed Assets		32.7	30.8	26.8	26.9	23.0	52.2	95.6	93.8	92.0
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	2.4	2.9	2.4
Current Assets		72.5	53.0	48.9	79.3	84.0	89.2	130.8	146.1	179.7
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	67.6	91.9	105.7
Cash & cash equivalents		12.0	9.0	11.3	18.7	31.1	34.7	62.3	53.4	73.2
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)	(125.2)	(129.7)	(149.0)
Creditors		(64.6)	(60.4)	(54.9)	(75.5)	(77.4)	(78.0)	(119.9)	(125.8)	(145.0)
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)	(9.8)	(8.5)	(7.3)
Long term borrowings		0.0	(0.2)	(15.1)	(0.0)	0.0	0.0	(8.6)	(7.3)	(6.1)
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	91.4	101.7	115.4
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	91.4	101.7	115.4
CASH FLOW										
Op Cash Flow before WC and tax		(9.6)	(11.4)	(12.3)	(2.3)	6.3	7.4	15.0	17.7	21.1
Working capital		9.3	11.6	(3.4)	1.0	7.2	3.0	27.9	(18.4)	5.4
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	41.1	(1.7)	25.6
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	17.8	(7.7)	21.0
Opening net debt/(cash)		(4.9)	(7.0)	(3.6)	9.9	(16.2)	(28.9)	(32.6)	(50.4)	(42.7)
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)	(50.4)	(42.7)	(63.8)

Source: Boku, Edison Investment Research

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