

Boku

Mobile payment platform for digital content

Boku's direct carrier billing platform offers an alternative customer acquisition route for digital content merchants. Use of Boku's platform has boosted subscriber numbers for customers such as Spotify due to its ease of use. The company is well positioned to benefit from the growth of digital content, as well as from connecting its existing merchants to additional carriers in multiple countries. Today's trading update confirms that there is strong and growing demand for the Boku platform and that the company has now reached EBITDA profitability on a run rate basis.

Scale play in direct carrier billing

Boku is the largest independent provider of direct carrier billing (DCB) services. DCB is an alternative payment mechanism that enables consumers to pay for (mainly) digital goods and services via their mobile phones, whether they are on a pre-paid or post-paid contract. Boku has an impressive roster of merchants already using its service, including Apple, Facebook, Google, Microsoft, Sony and Spotify. From the merchant's perspective, offering DCB provides access to consumers that either do not have a credit or debit card, or prefer not to use them online. It can also provide a faster and simpler way to pay, removing friction in the payment process. Boku should benefit from market growth in digital content (eg music, games, video) as well as growth in the number of carriers connected to each merchant.

Strong trading update

Boku has confirmed that trading further strengthened in Q417, and expects to report FY17 revenues of \$24-24.5m (+40% y-o-y). The company processed transactions (TPV) worth \$1.7bn in FY17 (H1 \$0.6m, H2 \$1.1bn), versus \$544m in FY16. As lower margin transaction-based revenues are growing faster than higher margin settlement-based revenues, TPV growth outpaces revenue growth; despite this, the pace of TPV growth in the medium term should drive material revenue growth over FY18 and FY19. With positive adjusted EBITDA expected in H217, the company is well on the way to generating positive cash flows. Cash at the end of FY17 stood at \$20m, providing ample funds to support the business until cash flow break-even and to fund development, whether internally or via acquisition.

Valuation: Reflects strong growth prospects

Boku is currently trading on an EV/sales multiple of 10.0x FY17e and 7.3x FY18e, and an EV/EBITDA multiple of 54.2x FY18e. Forecast strong growth in revenue and profitability should bring these multiples down to more normal levels from FY19.

Consensus estimates

Year end	Revenue (US\$m)	EBITDA (US\$m)	EPS (c)	DPS (c)	EV/EBITDA (x)	Yield (%)
12/16	17.2	(12.3)	(74.8)	0.0	N/A	0.0
12/17e	23.5	(2.9)	(4.2)	0.0	N/A	0.0
12/18e	32.0	4.3	(0.0)	0.0	54.5	0.0
12/19e	40.0	11.9	2.3	0.0	19.7	0.0

Source: Boku, Bloomberg

Support services

23 January 2018

Price 85.0p
Market cap £181m

\$1.39:£1

Share price graph



Share details

Code BOKU
Listing AIM
Shares in issue 213.6m

Business description

Boku is the largest independent direct carrier billing company. It operates a billing platform that connects merchants with mobile network operators (MNOs) in more than 50 countries. It has 148 employees based in the US, UK, Germany and India.

Bull

- Customers are market leaders
- Digital content market forecast to grow
- EBITDA turned positive in H217; net cash position

Bear

- Customer concentration
- Limited pricing power
- Multiple MNO relationships to manage

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