

Boku

New contract

Japanese e-commerce contract

Boku has widened its reach in the domestic Japanese market through a new agreement to provide direct carrier billing (DCB) services to a Rakuten e-commerce business. The contract is significant in that it demonstrates Boku's ability to support physical as well as digital goods, as well as for its potential to be expanded to support additional Rakuten services.

Year end	Revenue (\$m)	EBITDA* (\$m)	EPS* (\$)	DPS (\$)	P/E (x)	EV/EBITDA (x)
12/17	24.4	(2.3)	(0.03)	0.0	N/A	N/A
12/18e	34.8	5.4	0.01	0.0	207.4	85.4
12/19e	42.0	11.6	0.03	0.0	68.9	39.8
12/20e	49.9	19.1	0.06	0.0	37.4	24.2

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

Boku has signed an initial deal to provide direct carrier billing for Rakuten Collection, an e-commerce site focused on limited edition, collectibles trading in Japan, and a division of Rakuten Group (Tokyo listed, market cap ¥1.2tn/£8.3bn). This represents Boku's first major agreement for physical e-commerce in Japan. We note that the Rakuten Group operates more than 70 services, including an e-commerce shopping mall (Rakuten Ichiba), streaming video (Rakuten TV) and e-books (Rakuten Kobo). Depending on the adoption of DCB by Rakuten Collection's customers, we see potential for Boku to widen its scope to support other Rakuten services with DCB, with the digital content businesses the most obvious starting point. This agreement widens Boku's reach in the domestic Japanese market, where it already supports Apple, Sony and Spotify. We view this contract as supportive of our current estimates and make no changes to forecasts.

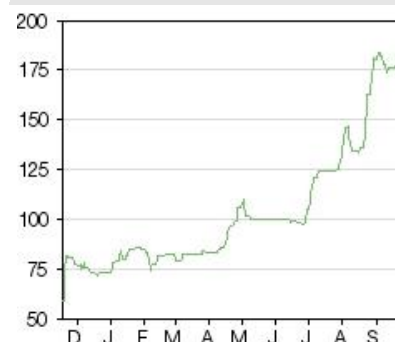
Software & Comp Services

26 September 2018

Price 172.0p
Market cap £369m

Net cash (\$m) at end H118	28.4
Shares in issue	214.2m
Free float	45.4%
Code	BOKU
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



Business description

Boku is the largest independent direct carrier billing (DCB) company. DCB uses a consumer's mobile bill (pre-paid credit or post-paid monthly bill) as the means to pay for digital content or services. Boku operates a billing platform that connects merchants with mobile network operators in more than 50 countries. It has 148 employees, with its main offices in the US, UK, Germany and India.

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