

Boku

Trading update

Strong finish to FY18

Boku has confirmed that total processed value (TPV), monthly active users, revenues and EBITDA saw strong growth in FY18, and it expects to report metrics at least in line with Edison and consensus expectations. This provides support for our FY19/FY20 growth forecasts for the core payments business. The recently acquired Danal business provides a second path to extend Boku's growth in the longer term, while close co-operation with Danal Korea could open up payment opportunities in Korea.

| 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 | 98.8 | 45.3 |
| 12/19e | 52.0 | 6.7 | 0.01 | 0.0 | 74.6 | 36.8 |
| 12/20e | 67.9 | 19.1 | 0.05 | 0.0 | 20.2 | 12.8 |

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

FY18 trading at least in line with expectations

For FY18, Boku expects to report TPV of \$3.6bn (+109% y-o-y), in line with our \$3.55bn forecast (+108.5% y-o-y). Revenues are expected to be in the range \$34.8–35.3m (+43–45% y-o-y), versus our \$34.8m forecast, and EBITDA to be at least in line with or modestly exceed consensus (ie at least \$5.3m). Cash at year-end stood at \$32.3m, although as this is often skewed by working capital movements on the last day of the year, the company disclosed that the average cash balance in December was \$24.4m (vs \$19.2m in December 2017). This compares to our year-end cash forecast of \$21.7m. Monthly active users reached 13.5 million in December, up from 8.0 million a year ago. We estimate that customer additions accelerated from 375k/month in H118 to 533k/month in H2. We make no changes to estimates, pending FY18 results due in March.

Further collaboration with Danal Korea possible

As planned, the Danal acquisition closed on 31 December 2018. Boku has since signed an MoU with Danal of Korea (originally a majority shareholder in the Danal business and soon to be a 5% shareholder in Boku) for further co-operation between the two companies. As Boku has had limited activity in South Korea to date, this agreement could open opportunities in both the payment and identity verification markets in the region.

Valuation: Looking better value

The stock has started to recover from the low of 67p reached in the wake of the Danal deal announcement. On EV/EBITDA and P/E multiples and FCF yield, it trades at a premium to peers in FY19, but falls to more reasonable levels in FY20, with P/E in line and EV/EBITDA and FCF yield at a c 10% discount to peers. Today's update confirms strong trading for the core payments business; newsflow confirming new customers or extensions to existing agreements for Danal will be key to demonstrating the acquired business is making progress towards our revenue targets for FY19 and beyond.

Software & comp services

14 January 2019

Price **82.5p**

Market cap **£185m**

\$1.28:£1

Net cash (\$m) at end H118 28.4

Shares in issue (excludes 26.7m shares to be issued for Danal acquisition by end of January) 223.8m

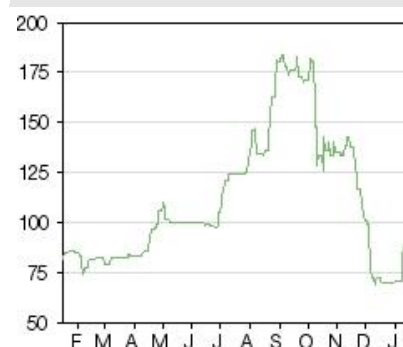
Free float 85%

Code BOKU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 20.4 (35.6) 3.1

Rel (local) 17.9 (34.7) 15.6

52-week high/low 184.0p 68.5p

Business description

Boku is the largest independent direct carrier billing (DCB) company. DCB uses a consumer's mobile bill (prepaid 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, the UK, Germany and India.

Next events

FY18 results March 2019

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Exhibit 1: Financial summary

| | \$'m | 2016 | 2017 | 2018e | 2019e | 2020e | 2021e |
|--|------|--------|--------|--------|---------|---------|---------|
| 31-December | | IFRS | IFRS | IFRS | IFRS | IFRS | IFRS |
| INCOME STATEMENT | | | | | | | |
| Revenue | | 17.2 | 24.4 | 34.8 | 52.0 | 67.9 | 79.1 |
| Cost of Sales | | (3.2) | (2.3) | (2.6) | (8.7) | (12.0) | (14.6) |
| Gross Profit | | 14.0 | 22.1 | 32.2 | 43.3 | 55.9 | 64.4 |
| EBITDA | | (12.3) | (2.3) | 5.4 | 6.7 | 19.1 | 26.9 |
| Normalised operating profit | | (13.8) | (4.0) | 4.0 | 5.5 | 18.7 | 26.4 |
| Amortisation of acquired intangibles | | (1.7) | (1.3) | (1.3) | (1.3) | (1.3) | (1.3) |
| Exceptionals | | (2.4) | (2.2) | (0.5) | 0.0 | 0.0 | 0.0 |
| Share-based payments | | (2.1) | (0.9) | (2.4) | (2.0) | (1.4) | (1.4) |
| Reported operating profit | | (19.9) | (8.4) | (0.2) | 2.2 | 16.0 | 23.7 |
| Net Interest | | (1.2) | (2.4) | (0.8) | (0.6) | (0.6) | (0.6) |
| Joint ventures & associates (post tax) | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Exceptionals | | 0.0 | (17.1) | 0.0 | 0.0 | 0.0 | 0.0 |
| Profit Before Tax (norm) | | (15.0) | (6.4) | 3.2 | 4.9 | 18.1 | 25.8 |
| Profit Before Tax (reported) | | (21.1) | (28.0) | (1.0) | 1.6 | 15.4 | 23.2 |
| Reported tax | | 0.5 | (0.1) | (0.1) | (0.1) | (1.5) | (3.5) |
| Profit After Tax (norm) | | (11.2) | (4.8) | 2.6 | 3.9 | 14.3 | 20.4 |
| Profit After Tax (reported) | | (20.6) | (28.1) | (1.1) | 1.5 | 13.9 | 19.7 |
| Minority interests | | 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 |
| Net income (normalised) | | (11.2) | (4.8) | 2.6 | 3.9 | 14.3 | 20.4 |
| Net income (reported) | | (20.6) | (28.1) | (1.1) | 1.5 | 13.9 | 19.7 |
| Basic average number of shares outstanding (m) | | 140.1 | 150.3 | 216.5 | 251.2 | 253.5 | 254.3 |
| EPS - basic normalised (\$) | | (0.08) | (0.03) | 0.01 | 0.02 | 0.06 | 0.08 |
| EPS - diluted normalised (\$) | | (0.08) | (0.03) | 0.01 | 0.01 | 0.05 | 0.07 |
| EPS - basic reported (\$) | | (0.15) | (0.19) | (0.01) | 0.01 | 0.05 | 0.08 |
| Dividend (\$) | | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Revenue growth (%) | | (10.4) | 42.0 | 42.6 | 49.2 | 30.6 | 16.5 |
| Gross Margin (%) | | 81.4 | 90.7 | 92.4 | 83.3 | 82.3 | 81.5 |
| EBITDA Margin (%) | | (71.4) | (9.5) | 15.6 | 12.8 | 28.2 | 34.0 |
| Normalised Operating Margin | | (80.0) | (16.5) | 11.5 | 10.5 | 27.5 | 33.4 |
| BALANCE SHEET | | | | | | | |
| Fixed Assets | | 26.8 | 26.9 | 62.3 | 60.7 | 58.7 | 55.1 |
| Intangible Assets | | 25.7 | 25.8 | 60.8 | 58.8 | 57.6 | 56.3 |
| Tangible Assets | | 0.5 | 0.4 | 0.5 | 0.5 | 0.7 | 0.8 |
| Investments & other | | 0.6 | 0.7 | 1.0 | 1.3 | 0.5 | (2.0) |
| Current Assets | | 48.9 | 79.3 | 87.9 | 111.0 | 142.6 | 178.1 |
| Stocks | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Debtors | | 37.1 | 59.1 | 64.8 | 77.9 | 91.2 | 100.7 |
| Cash & cash equivalents | | 11.3 | 18.7 | 21.7 | 31.6 | 50.0 | 75.9 |
| Other | | 0.5 | 1.4 | 1.4 | 1.4 | 1.4 | 1.4 |
| Current Liabilities | | (61.0) | (77.5) | (85.0) | (103.7) | (118.4) | (129.2) |
| Creditors | | (54.9) | (75.0) | (82.5) | (101.2) | (115.9) | (126.7) |
| Tax and social security | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Short term borrowings | | (6.1) | (2.5) | (2.5) | (2.5) | (2.5) | (2.5) |
| Other | | 0.0 | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Long Term Liabilities | | (15.2) | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) |
| Long term borrowings | | (15.1) | (0.0) | (0.0) | (0.0) | (0.0) | (0.0) |
| Other long term liabilities | | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) |
| Net Assets | | (0.4) | 28.6 | 65.0 | 67.9 | 82.8 | 103.9 |
| Minority interests | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Shareholders' equity | | (0.4) | 28.6 | 65.0 | 67.9 | 82.8 | 103.9 |
| CASH FLOW | | | | | | | |
| Op Cash Flow before WC and tax | | (12.3) | (2.3) | 5.4 | 6.7 | 19.1 | 26.9 |
| Working capital | | (3.4) | 1.0 | 1.9 | 5.5 | 1.4 | 1.3 |
| Exceptional & other | | 4.2 | (5.5) | (1.6) | (0.7) | (0.4) | 0.0 |
| Tax | | (0.0) | 0.0 | (0.4) | (0.4) | (0.7) | (1.0) |
| Net operating cash flow | | (11.5) | (6.8) | 5.3 | 11.1 | 19.5 | 27.1 |
| Capex | | (1.5) | (0.3) | (0.5) | (0.6) | (0.6) | (0.6) |
| Acquisitions/disposals | | 0.0 | 0.0 | (1.0) | 0.0 | 0.0 | 0.0 |
| Net interest | | (0.3) | (0.9) | (0.8) | (0.6) | (0.6) | (0.6) |
| Equity financing | | 0.1 | 19.8 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividends | | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other | | 0.1 | (1.1) | 0.0 | 0.0 | 0.0 | 0.0 |
| Net Cash Flow | | (13.1) | 10.6 | 2.9 | 10.0 | 18.3 | 26.0 |
| Opening net debt/(cash) | | (3.6) | 9.9 | (16.2) | (19.2) | (29.1) | (47.5) |
| FX | | (0.4) | 0.4 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other non-cash movements | | (0.0) | 15.1 | 0.0 | 0.0 | 0.0 | 0.0 |
| Closing net debt/(cash) | | 9.9 | (16.2) | (19.2) | (29.1) | (47.5) | (73.4) |

Source: Company accounts, Edison Investment Research

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