

Boku

Strong H1 drives upgrades

H123 trading update

Software and comp services

4 July 2023

Price **134.5p**

Market cap **£401m**

\$1.27:£1

Net cash (\$m) at end FY22* 99.6

*Excludes restricted cash of \$17.0m

Shares in issue 297.8m

Free float 94.1%

Code BOKU

Primary exchange AIM

Secondary exchange N/A

Boku saw strong growth in total payment volume (TPV) in H123 translating to revenue growth of at least 24% (31% constant currency) and EBITDA growth of at least 25%. Local payment methods (LPMs) were a key driver of growth, pushing up the take rate to 0.76% and contributing 19% of revenue. The company also announced that CEO Jon Prideaux will be stepping down from his role at the end of the year; his successor will be Stuart Neal, who was previously CFO of Boku, providing continuity and decades of experience in the payments industry.

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	36.2	17.8
12/22	63.8	20.5	4.0	0.0	43.0	19.9
12/23e	76.8	24.9	4.9	0.0	35.1	16.4
12/24e	86.9	29.0	5.8	0.0	29.3	14.1

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

FY23 trading ahead of expectations

The company saw strong trading in H123 and anticipates beating the board's prior expectations for FY23. Boku expects to report H123 TPV of \$5.0bn (+15% y-o-y), revenue of at least \$37.5m (+24% y-o-y, +31% in constant currency) and EBITDA of least \$12.0m (32% margin). LPMs were a key driver of growth, contributing revenue of \$7.2m (19% of total revenue; up 359% y-o-y). With LPM monthly active users at 8% of the group total of 61.2m, this demonstrates how LPMs support higher transaction values. End-H123 cash was \$114m, of which c \$52m was Boku's own cash, with an average daily cash balance of \$106m in June. To reflect the stronger than expected performance we upgrade FY23/24/25 revenue by 6.4%/5.8%/5.4% and EBITDA by 7.7%/7.1%/5.9%.

CEO transition announced

The current CEO, Jon Prideaux, intends to retire from the role on 31 December 2023 and will remain as a non-executive director thereafter. After a search for a new CEO, Stuart Neal has re-joined Boku and been appointed CEO designate; he will work with Jon for the rest of the year. He is expected to join the board and be appointed CEO on 1 January 2024. Stuart held the role of Boku CFO in 2012-2014 and 2017-2019 before heading up the Identity division before its sale to Twilio.

Valuation: LPMs to drive upside

Boku is trading at a discount to its peer group on EV/EBITDA multiples for FY23. Via a reverse discounted cashflow (DCF) that uses our forecasts to FY25 (which are more conservative than the company's mid-term targets would suggest), we estimate the share price is factoring in revenue growth of 6% 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 shares could be worth 214p. 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.

Share price performance



%	1m	3m	12m
Abs	(10.3)	(1.8)	33.8
Rel (local)	(9.1)	0.0	28.7
52-week high/low		154p	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

H123 results September

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H123 trading update

The table below summarises the company's performance in H123.

Exhibit 1: H123 key performance indicators			
	H123	H122	Growth y-o-y
TPV	\$5.0bn	\$4.3bn	15%
Revenue	At least \$37.5m	\$30.3m	24%
Take rate	0.76%	0.70%	
EBITDA	c \$12m	\$9.5m	25%
Monthly active users (MAU)	61.2m	46.4m	32%
New users	32.7m	29.3m	12%
Local Payment Methods (LPM):			
MAUs	4.7m	2.1m	122%
New users	6.3m	3.2m	97%
LPM MAU/Total MAU	7.7%	4.5%	
LPM new users/total new users	19.3%	10.9%	
Revenue from LPMs (\$m)	7.2	1.6	359%
Revenue from direct carrier billing (\$m)	30.3	28.7	6%
LPM revenue/group revenue	19.2%	5.3%	

Source: Boku

Changes to estimates

We have revised our forecasts to reflect H1 performance.

Exhibit 2: Changes to estimates													
\$'m	FY23e				FY24e				FY25e				
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	Old	New	Change	y-o-y	
Revenue	72.1	76.8	6.4%	20.4%	82.1	86.9	5.8%	13.2%	92.1	97.0	5.4%	11.7%	
Gross profit	69.6	74.1	6.4%	19.5%	79.2	83.9	5.8%	13.2%	88.9	93.6	5.4%	11.7%	
Gross margin	96.5%	96.5%	0.0%	-0.7%	96.5%	96.5%	0.0%	0.0%	96.5%	96.5%	0.0%	0.0%	
EBITDA	23.1	24.9	7.7%	21.6%	27.0	29.0	7.1%	16.4%	33.2	35.1	5.9%	21.4%	
EBITDA margin	32.0%	32.4%	1.2%	0.3%	32.9%	33.3%	1.2%	0.9%	36.0%	36.2%	0.5%	2.9%	
Normalised operating profit	17.8	19.5	10.0%	23.5%	21.5	23.4	8.9%	19.7%	27.0	28.9	7.3%	23.7%	
Normalised operating margin	24.6%	25.4%	0.8%	0.6%	26.1%	26.9%	0.8%	1.5%	29.3%	29.8%	0.5%	2.9%	
Reported operating profit	10.6	12.3	16.8%	172.0%	14.3	16.2	13.4%	31.2%	19.8	21.7	10.0%	34.3%	
Reported operating margin	14.6%	16.1%	1.4%	9.0%	17.4%	18.6%	1.2%	2.6%	21.5%	22.4%	0.9%	3.8%	
Normalised PBT	17.2	19.0	10.3%	23.9%	20.9	22.9	9.1%	20.2%	26.4	28.4	7.4%	24.3%	
Reported PBT	10.0	11.8	17.7%	190.9%	13.8	15.7	13.9%	32.6%	19.2	21.2	10.2%	35.4%	
Normalised net income	13.6	15.0	10.3%	22.3%	16.5	18.1	9.1%	20.2%	20.9	22.4	7.4%	24.3%	
Reported net income	8.5	10.0	17.7%	-65.2%	11.7	13.3	13.9%	32.6%	16.4	18.0	10.2%	35.4%	
Normalised basic EPS (\$)	0.046	0.050	10.6%	22.6%	0.055	0.060	9.6%	19.7%	0.069	0.074	7.9%	23.0%	
Normalised diluted EPS (\$)	0.044	0.049	10.6%	22.6%	0.053	0.058	9.6%	19.7%	0.066	0.072	7.9%	23.1%	
Reported basic EPS (\$)	0.029	0.034	18.0%	-65.2%	0.039	0.045	14.4%	31.9%	0.054	0.060	10.7%	34.1%	
Net debt/(cash)	(127.7)	(129.5)	1.4%	30.1%	(153.8)	(157.5)	2.4%	21.6%	(183.7)	(189.4)	3.1%	20.3%	
TPV (\$bn)	9.91	10.21	3.1%	15.2%	11.12	11.42	2.7%	11.8%	12.32	12.62	2.5%	10.5%	
Take rate	0.73%	0.75%	0.02%	0.03%	0.74%	0.76%	0.02%	0.01%	0.75%	0.77%	0.02%	0.01%	

Source: Edison Investment Research

Exhibit 3: Financial summary

	\$'m	2017	2018	2019	2020	2021	2022	2023e	2024e	2025e
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	76.8	86.9	97.0
Cost of Sales		(2.3)	(2.5)	(5.6)	(4.9)	(1.6)	(1.8)	(2.7)	(3.0)	(3.4)
Gross Profit		22.1	32.8	44.6	51.5	60.5	62.0	74.1	83.9	93.6
EBITDA		(2.3)	6.3	10.7	15.3	22.9	20.5	24.9	29.0	35.1
Normalised operating profit		(4.0)	4.8	4.5	11.6	18.6	15.8	19.5	23.4	28.9
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	12.3	16.2	21.7
Net Interest		(2.4)	(0.6)	(0.4)	(0.6)	(0.7)	(0.5)	(0.5)	(0.5)	(0.5)
Joint ventures & associates (post tax)		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	19.0	22.9	28.4
Profit Before Tax (reported)		(28.5)	(3.0)	(1.3)	(17.3)	9.9	4.1	11.8	15.7	21.2
Reported tax		(0.1)	(1.3)	1.7	(1.5)	1.9	0.2	(1.8)	(2.3)	(3.2)
Profit After Tax (norm)		(4.8)	3.4	3.2	8.8	14.3	12.3	15.0	18.1	22.4
Profit After Tax (reported)		(28.7)	(4.3)	0.4	(18.8)	11.8	4.3	10.0	13.3	18.0
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	15.0	18.1	22.4
Net income (reported)		(28.7)	(4.3)	0.4	(18.8)	6.3	28.9	10.0	13.3	18.0
Basic ave. number of shares outstanding (m)		150.3	217.1	246.8	273.8	294.0	298.3	297.7	299.2	302.2
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	0.05	0.06	0.07
EPS - basic reported (\$)		(0.19)	(0.02)	0.00	(0.07)	0.02	0.10	0.03	0.04	0.06
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	20.4	13.2	11.7
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	32.4	33.3	36.2
Normalised Operating Margin		(16.5)	13.7	9.0	20.5	30.0	24.8	25.4	26.9	29.8
BALANCE SHEET										
Fixed Assets		26.9	23.0	52.2	69.8	71.9	65.7	65.8	66.4	66.9
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	4.3	4.0	3.8
Current Assets		79.3	84.0	89.2	155.2	145.0	212.2	253.5	299.4	348.6
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	107.1	125.0	142.2
Cash & cash equivalents		18.7	31.1	34.7	61.3	56.7	99.6	129.5	157.5	189.4
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)	(188.5)	(215.8)	(241.4)
Creditors		(75.5)	(77.4)	(78.0)	(136.8)	(119.6)	(156.3)	(187.0)	(214.3)	(239.9)
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	122.1	141.4	165.5
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	122.1	141.4	165.5
CASH FLOW										
Op Cash Flow before WC and tax		(2.3)	6.3	7.4	15.3	22.9	20.5	24.9	29.0	35.1
Working capital		1.0	7.2	3.0	20.1	(7.1)	27.9	13.7	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	37.6	36.3	40.6
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)	(5.4)	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	29.9	28.0	31.9
Opening net debt/(cash)		9.9	(16.2)	(28.9)	(32.6)	(49.0)	(48.8)	(99.6)	(129.5)	(157.5)
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)	(129.5)	(157.5)	(189.4)

Source: Boku, Edison Investment Research

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