

Boku

H123 results

Upgraded outlook for FY23

Boku reported H123 revenue growth of 26% y-o-y to \$38.2m, with a growing and now material contribution from local payment methods (LPMs). Adjusted EBITDA was 28% higher and the margin expanded by 0.7pp, as upside from higher revenues was partially offset by further investment to support LPMs. We have revised up our forecasts to reflect faster growth in total payment volumes (TPV) partially offset by higher investment in Boku's payments network.

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	36.8	18.2
12/22	63.8	20.5	4.0	0	43.7	20.4
12/23e	79.3	25.4	5.3	0	32.6	16.4
12/24e	90.7	30.1	6.5	0	26.8	13.9

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

LPMs now make up 19% of revenue

Boku reported TPV growth of 16% y-o-y to \$5bn, and with a higher proportion of LPM transactions, the take rate grew by 6bp y-o-y to 0.76%. This resulted in revenue growth of 26% y-o-y (32% constant currency (cc)) and adjusted EBITDA growth of 28% (32.0% margin). LPM revenue grew 350% y-o-y to contribute 19% of H123 revenue, up from 5% a year ago. The company reported cash of \$113.9m at the end of H123 (including \$14.7m of restricted cash) of which c \$54.4m was the company's own cash.

Upgrading revenue and EBITDA forecasts

Wallets are seeing good adoption by Boku's major merchants, driving a growing and material contribution to revenue. As A2A payments require an enhanced level of regulatory compliance and deeper integration with banks, Boku is still in the investment phase for this payment method. Once complete, we expect A2A will represent another growth driver and we would expect adjusted EBITDA margins to trend closer to the company's medium-term 50% target. We have revised up our revenue forecasts to reflect higher-than-expected TPV growth and assume the majority of upside is reinvested in Boku's mobile first payment network. This results in upgrades to our adjusted EBITDA forecasts of 2.1%/3.8%/0.2% for FY23/24/25.

Valuation: LPMs to drive upside

Boku is trading at a premium to its peer group on EV/EBITDA multiples for FY23, which we believe reflects downgrades to the growth outlook for certain peers. 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 6.4% and average EBITDA margins of 34.0% 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 222p. 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.

Software and comp services

26 September 2023

Price **142.0p**
Market cap **£423m**

\$1.22:£1

Net cash (\$m) at end H123 99.2m
(Excludes restricted cash of \$14.7m)

Shares in issue 296.3m

Free float 94.1%

Code BOKU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 2.5 2.10 47.9

Rel (local) (1.0) (4.1) 37.5

52-week high/low 154p 96p

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

FY23 trading update January 2024

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Review of H123 results

In July, Boku's H123 trading update confirmed the company expected revenue of at least \$37.5m and adjusted EBITDA of least \$12.0m. Boku reported H123 revenue of \$38.2m (+26% y-o-y, +32% on a cc basis) and adjusted EBITDA of \$12.2m (+28% y-o-y). Normalised operating profit was 35% higher year-on-year. Reported operating profit included share-based payments of \$4.0m, amortisation of acquired intangibles of \$0.6m and one-off charges totalling \$3.0m (\$3.13m FX losses offset by \$0.018m fair value movement in warrant liability (discussed below) and \$0.1m other income from providing accounting services to Twilio). The company closed H123 with total cash of \$113.9m (\$99.2m cash and \$14.7m restricted cash) down from \$116.6m at the end of FY22 (\$99.6m cash, \$17.0m restricted cash). Boku determines that \$54.4m of this was its own cash as opposed to \$59.5m cash in transit to merchants.

Exhibit 1: H123 results highlights

\$m	H123	H122	y-o-y
Revenue	38.2	30.3	26%
Gross profit	36.9	29.4	25%
Adjusted EBITDA	12.2	9.5	28%
Normalised operating profit	9.7	7.2	35%
Reported operating profit	2.1	4.1	-48%
Normalised net income	7.9	5.4	47%
Reported net income	1.8	28.0	-94%
Normalised diluted EPS (\$)	0.024	0.018	37%
Reported basic EPS (\$)	0.006	0.094	-94%
Net cash*	113.9	67.8	68%
Gross margin	96.6%	96.8%	-0.3%
EBITDA margin	32.0%	31.3%	0.7%
Normalised EBIT margin	25.4%	23.7%	1.8%
Reported operating margin	5.6%	13.4%	-7.9%

Source: Boku, Edison Investment Research. Note: *Excludes lease liabilities, includes restricted cash.

Exhibit 2 summarises the company's key operating metrics. Monthly active user and new user statistics are unchanged since the July trading update. TPV increased 16% y-o-y to \$5.0bn, with some benefit from currency but the majority of the uplift from underlying volume growth. The average take rate increased by 6bp y-o-y reflecting the increasing proportion of LPM transactions, which have a take rate higher than the group average.

LPMs made up 7.7% of monthly active users, 19.3% of new users and 19% of H123 revenue. Revenue from carrier commerce (direct carrier billing (DCB) and carrier bundling) was 7% higher y-o-y (12% cc) with revenue from LPMs up 350% y-o-y. Of its largest DCB customers, Amazon, Spotify, Netflix, Meta and Tencent also use Boku for LPMs.

Exhibit 2: Key operating metrics H123 vs H122

	H123	H122	Growth y-o-y
TPV (\$bn)	5.0	4.3	16%
Take rate	0.76%	0.70%	
Monthly active users (MAU)	61.2m	46.4m	32%
New users	32.7m	29.3m	12%
LPMs:			
MAUs	4.7m	2.1m	122%
New users	6.3m	3.1m	103%
LPM MAU/Total MAU	7.7%	4.5%	
LPM new users/total new users	19.3%	10.6%	
Revenue from LPMs (\$m)	7.2	1.6	350%
Revenue from carrier commerce (\$m)	31.0	28.7	7%
LPM revenue/group revenue	19%	5%	

Source: Boku

The company noted that it launched nearly 50 connections for existing and new merchants during H123, of which nearly two-thirds were for LPMs. Merchants included Apple, Amazon, Netflix, Sony, Spotify, Sky and Tencent.

Boku's mobile-first payment network expanded to reach more than 7.5bn end-user accounts, of which 46% were non-DCB. The number of LPMs connected to the network rose from 25 connections in 14 countries at the end of H122 to 40 connections in 17 countries by the end of H123. The company has just announced that its Malaysian subsidiary has received authorisation from Bank Negara Malaysia to operate as a non-bank merchant acquirer, adding Malaysia to its network of payment licences.

Amazon wallets rolled out

In September 2022, Boku [announced](#) it had signed a contract to support Amazon Prime Video with wallets in certain countries in South East Asia and Africa. The company is now live with 12 wallets in five countries. As these are recent launches, the wallets have not yet made a significant contribution to revenue but should grow over the next 12–24 months.

As part of this contract, Amazon earns warrants to buy Boku shares in proportion to the revenues it generates for Boku. In our March [outlook](#) note, we explained the accounting for the warrants, which includes amortisation of a contract asset against revenue.

In H123, the number of warrants expected to be issued increased from 4,992,086 to 6,180,045, which implies that Boku has increased its forecast for the revenue to be generated from this contract from \$23.85m to \$29.52m. The company amortised \$76.5k of the contract asset, which offset revenue. The value of the warrants has also slightly changed since the end of FY22 from \$1.043 to \$1.04, which resulted in a one-off credit of \$18k in H123. This has resulted in a net increase of the contract asset by \$1.162m and of the warrant liability by \$1.221m since the end of FY22.

Share buyback scheme ongoing

In July 2022, the company launched a share buyback scheme to buy back up to a maximum of 5m shares or consideration of £8m. In June 2023, it extended the scheme by a further 12 months to 30 June 2024 and by an additional maximum of 5.25m shares or consideration of £10.5m. By the end of August, the company had bought back 6.189m shares for a total of £8.3m, of which 4.688m were acquired in FY23 for £6.7m (H123 3.088m shares for £4.4m). The purchased shares are to be held in treasury to satisfy future equity issuance. Since the buyback scheme was launched, 3.0m of the acquired shares have been used to satisfy restricted stock unit issues.

Outlook and changes to forecasts

The company noted that the strong performance seen in H1 has continued in H2 to date and it traded at record levels in July and August. All parts of the business are performing well and trading ahead of the internal budget at the time of Boku's capital markets day in February this year. The company expects that as it nears the end of the investment phase for LPMs, operating leverage inherent in the platform will drive up adjusted EBITDA margins. As a result of strong trading conditions, the board now anticipates Boku's performance for FY23 will be slightly ahead of its previous expectations.

The company reiterated its medium-term guidance as presented at this year's capital markets day when it laid out its aspiration to double revenue and grow adjusted EBITDA margins to c 50% in the medium term. Based on the level of investment required to support account-to-account payments

over the next couple of years, we assume that margins will increase modestly over FY23–25 before stepping up once this investment is complete.

Post period end, the company received the final \$5.6m holdback payment from the sale of the Identity business to Twilio – this was already factored into our forecasts.

We have raised our TPV forecasts to reflect stronger growth driven by LPMs. We also increase our operating expense forecasts to reflect investment to support the build out of account-to-account payments. Overall, our adjusted EBITDA forecasts increase by 2.1% in FY23, 3.8% in FY24 and 0.2% in FY25.

Exhibit 3: Changes to forecasts

\$'m	FY23e		FY23e		FY24e		FY24e		FY25e		FY25e	
	Old	New	Change	y-o-y	Old	New	Change	y-o-y	Old	New	Change	y-o-y
Revenue	76.8	79.3	3.3%	24.3%	86.9	90.7	4.4%	14.4%	97.0	102.3	5.4%	12.7%
Gross profit	74.1	76.5	3.3%	23.5%	83.9	87.6	4.4%	14.4%	93.6	98.7	5.4%	12.7%
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%
Adjusted EBITDA	24.9	25.4	2.1%	24.1%	29.0	30.1	3.8%	18.4%	35.1	35.2	0.2%	17.1%
Adjusted EBITDA margin	32.4%	32.0%	-1.2%	-0.1%	33.3%	33.1%	-0.6%	1.1%	36.2%	34.4%	-4.9%	1.3%
Normalised operating profit	19.5	20.0	2.7%	26.7%	23.4	24.5	4.8%	22.2%	28.9	29.0	0.2%	18.4%
Normalised operating margin	25.4%	25.3%	-0.2%	0.5%	26.9%	27.0%	0.1%	1.7%	29.8%	28.3%	-1.5%	1.4%
Reported operating profit	12.3	8.9	-28.1%	95.5%	16.2	16.9	4.4%	90.6%	21.7	21.4	-1.5%	26.7%
Reported operating margin	16.1%	11.2%	-4.9%	4.1%	18.6%	18.6%	0.0%	7.4%	22.4%	20.9%	-1.5%	2.3%
Normalised PBT	19.0	20.8	9.5%	35.7%	22.9	25.4	11.1%	21.9%	28.4	29.9	5.2%	17.7%
Reported PBT	11.8	9.6	-18.4%	137.3%	15.7	17.8	13.6%	84.6%	21.2	22.3	5.1%	25.3%
Normalised net income	15.0	16.4	9.5%	34.0%	18.1	20.1	11.1%	21.9%	22.4	23.6	5.2%	17.7%
Reported net income	10.0	7.9	-21.2%	-72.6%	13.3	15.1	13.6%	91.2%	18.0	19.0	5.1%	25.3%
Normalised basic EPS (\$)	0.050	0.055	9.5%	34.2%	0.060	0.067	11.1%	21.3%	0.074	0.078	5.2%	16.6%
Normalised diluted EPS (\$)	0.049	0.053	9.5%	34.2%	0.058	0.065	11.1%	21.4%	0.072	0.075	5.2%	16.6%
Reported basic EPS (\$)	0.034	0.027	-21.2%	-72.6%	0.045	0.051	13.6%	90.2%	0.060	0.063	5.1%	24.1%
Net debt/(cash)	(129.5)	(127.4)	-1.6%	27.9%	(157.5)	(159.8)	1.5%	25.5%	(189.4)	(195.2)	3.0%	22.1%
TPV (\$bn)	10.21	10.42	2.1%	17.6%	11.42	11.74	2.8%	12.6%	12.62	12.98	2.8%	10.6%
Take rate	0.75%	0.76%	0.01%	0.04%	0.76%	0.77%	0.01%	0.01%	0.77%	0.79%	0.02%	0.02%

Source: Edison Investment Research

Exhibit 4: 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	79.3	90.7	102.3
Cost of Sales		(2.3)	(2.5)	(5.6)	(4.9)	(1.6)	(1.8)	(2.8)	(3.2)	(3.6)
Gross Profit		22.1	32.8	44.6	51.5	60.5	62.0	76.5	87.6	98.7
EBITDA		(2.3)	6.3	10.7	15.3	22.9	20.5	25.4	30.1	35.2
Normalised operating profit		(4.0)	4.8	4.5	11.6	18.6	15.8	20.0	24.5	29.0
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)	(3.0)	0.0	0.0
Share-based payments		(1.5)	(4.6)	(6.8)	(4.9)	(6.4)	(5.2)	(7.0)	(6.4)	(6.4)
Reported operating profit		(9.0)	(2.4)	(4.1)	(16.7)	10.6	4.5	8.9	16.9	21.4
Net Interest		(2.4)	(0.6)	(0.4)	(0.6)	(0.7)	(0.5)	0.8	0.9	0.9
Joint ventures & associates		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	20.8	25.4	29.9
Profit Before Tax (reported)		(28.5)	(3.0)	(1.3)	(17.3)	9.9	4.1	9.6	17.8	22.3
Reported tax		(0.1)	(1.3)	1.7	(1.5)	1.9	0.2	(1.7)	(2.7)	(3.3)
Profit After Tax (norm)		(4.8)	3.4	3.2	8.8	14.3	12.3	16.4	20.1	23.6
Profit After Tax (reported)		(28.7)	(4.3)	0.4	(18.8)	11.8	4.3	7.9	15.1	19.0
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	16.4	20.1	23.6
Net income (reported)		(28.7)	(4.3)	0.4	(18.8)	6.3	28.9	7.9	15.1	19.0
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	0.06	0.07	0.08
EPS - diluted normalised (\$)		(0.03)	0.02	0.01	0.03	0.05	0.04	0.05	0.06	0.08
EPS - basic reported (\$)		(0.19)	(0.02)	0.00	(0.07)	0.02	0.10	0.03	0.05	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	24.3	14.4	12.7
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	32.0	33.1	34.4
Normalised Operating Margin		(16.5)	13.7	9.0	20.5	30.0	24.8	25.3	27.0	28.3
BALANCE SHEET										
Fixed Assets		26.9	23.0	52.2	69.8	71.9	78.6	80.0	80.3	80.6
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	18.0	18.5	17.9	17.5
Current Assets		79.3	84.0	89.2	155.2	145.0	212.4	255.8	310.8	366.6
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	111.3	133.8	154.3
Cash & cash equivalents		18.7	31.1	34.7	61.3	56.7	99.6	127.4	159.8	195.2
Other		1.4	1.3	0.9	1.4	5.8	22.8	17.2	17.2	17.2
Current Liabilities		(78.0)	(79.6)	(81.8)	(139.7)	(122.1)	(157.8)	(194.7)	(228.5)	(259.3)
Creditors		(75.5)	(77.4)	(78.0)	(136.8)	(119.6)	(156.3)	(193.2)	(227.0)	(257.8)
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)	(9.9)	(9.9)	(9.9)
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)	(9.9)	(9.9)	(9.9)
Net Assets		28.0	26.6	57.0	71.8	82.4	124.5	131.1	152.7	178.0
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	124.5	131.1	152.7	178.0
CASH FLOW										
Op Cash Flow before WC and tax		(2.3)	6.3	7.4	15.3	22.9	20.5	25.4	30.1	35.2
Working capital		1.0	7.2	3.0	20.1	(7.1)	27.9	15.7	11.2	10.4
Exceptional & other		(5.5)	0.2	(1.3)	(3.8)	(3.5)	1.6	(3.0)	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	37.1	39.3	42.6
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)	0.8	0.9	0.9
Equity financing		19.8	0.5	0.6	26.2	1.1	(1.4)	(8.3)	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	27.8	32.4	35.4
Opening net debt/(cash)		9.9	(16.2)	(28.9)	(32.6)	(49.0)	(48.8)	(99.6)	(127.4)	(159.8)
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)	(127.4)	(159.8)	(195.2)

Source: Boku, Edison Investment Research. Note: *Restated.

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