

Boku

Upgrading on strong finish to FY23

Boku expects to report FY23 revenue and adjusted EBITDA ahead of our and consensus forecasts, helped by strength from both the core direct carrier billing (DCB) business and rapid growth in adoption of local payment methods (LPM). The strong finish to FY23 highlights positive momentum going into FY24 and we have upgraded our forecasts, with adjusted EBITDA up 7.6% for FY23, 5.3% for FY24 and 4.8% for FY25.

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	42.4	21.6
12/22	63.8	20.5	4.0	0.0	50.4	24.2
12/23e	82.7	27.3	5.8	0.0	34.4	18.1
12/24e	95.0	31.7	6.9	0.0	29.1	15.6

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

FY23 revenue and EBITDA beat

Boku expects to report FY23 revenue of at least \$82.7m, up 30% y-o-y or up 33% in constant currency (cc), with total payment volume (TPV) of \$10.5bn up 19% y-o-y (23% cc) and the take rate increasing to 0.79% (FY22 0.72%). Adjusted EBITDA is expected to be at least \$27.3m, ahead of our \$25.4m forecast and consensus of \$26.4m despite continued investment in the M1ST network, resulting in an EBITDA margin of 33% (+0.9pp y-o-y). After buying back shares worth \$10m in FY23, gross/net cash at year-end was \$151.2m, with daily average cash of \$131.5m in December, up 33% y-o-y and 24% h-o-h. Boku estimates it had 'own cash' of c \$69m at the end of the year, with the remainder cash in transit to merchants.

Growth across all parts of the business

While LPMs generated revenue of \$16.9m (+153% y-o-y) as LPM monthly active users (MAU) grew 76% y-o-y to 6.7m, growth from DCB including bundling was also strong at 15% y-o-y (up from 7% growth in FY22). The growing proportion of LPM users is having a positive effect on the take rate, as LPMs attract a take rate above the group average, and LPM revenue made up 20% of group revenue, doubling from 10% in FY22.

Valuation: Growth targets not reflected

Boku is trading at a premium to its peer group on EV/EBITDA multiples for FY24, which we believe reflects downgrades to the growth outlook for certain peers. Via a reverse discounted cash flow (DCF) that uses our forecasts to FY25 (which are more conservative than the company's mid-term targets would suggest) and a WACC of 9% (down 1% since we last wrote), we estimate the share price is factoring in revenue growth of 5.6% and average EBITDA margins of 35% 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 248p. 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.

FY23 trading update

Software and comp services

23 January 2024

Price **157.5p**

Market cap **£468m**

\$1.27/£1

Net cash (\$m) at end FY23* 151.2

*Includes restricted cash

Shares in issue 297.1m

Free float 93.5%

Code BOKU

Primary exchange AIM

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs 14.1 16.2 5.0

Rel (local) 17.3 13.2 8.9

52-week high/low 159p 124p

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 results March 2024

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FY23 trading update

The table below summarises the key performance metrics for FY23.

Exhibit 1: FY23 performance versus FY22

	FY23	FY22	Growth y-o-y
Revenue (\$m)	82.7	63.8	30%
Adjusted EBITDA (\$m)	27.3	20.5	33%
TPV (\$bn)	10.5	8.9	19%
Take rate	0.79%	0.72%	
MAU (m)	67.4	52.3	29%
New users - m	66.1	56.7	17%
LPM:			
MAUs (m)	6.7	3.8	76%
New users (m)	13.8	8.4	64%
LPM MAU/total MAU	9.9%	7.3%	
LPM new users/total new users	20.9%	14.8%	
Revenue from LPMs (\$m)	16.9	6.7	153%
Revenue from DCB (\$m)	65.8	57.1	15%
LPM revenue/group revenue	20%	10%	

Source: Boku

Changes to forecasts

We have revised our forecasts to reflect slightly stronger TPV growth and a higher take rate in all three years. We have assumed a proportion of the revenue upside is reinvested, resulting in an upgrade to our adjusted EBITDA forecasts of 7.6% for FY23, 5.3% for FY24 and 4.8% for FY25. This results in normalised diluted EPS upgrades of 9.4% for FY23, 6.5% for FY24 and 5.9% for FY25.

Exhibit 2: 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	79.3	82.7	4.3%	29.7%	90.7	95.0	4.7%	14.9%	102.3	105.0	2.6%	10.5%	
Gross profit	76.5	79.8	4.3%	28.7%	87.6	91.7	4.7%	14.8%	98.7	101.3	2.6%	10.5%	
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	25.4	27.3	7.6%	33.5%	30.1	31.7	5.3%	15.9%	35.2	36.9	4.8%	16.6%	
EBITDA margin	32.0%	33.0%	3.2%	0.9%	33.1%	33.3%	0.6%	0.3%	34.4%	35.2%	2.1%	1.8%	
Normalised operating profit	20.0	22.0	9.6%	38.9%	24.5	26.1	6.5%	18.7%	29.0	30.7	5.8%	17.6%	
Normalised operating margin	25.3%	26.6%	1.3%	1.8%	27.0%	27.5%	0.5%	0.9%	28.3%	29.2%	0.9%	1.8%	
Reported operating profit	8.9	10.8	21.7%	137.9%	16.9	18.5	9.4%	71.3%	21.4	23.1	7.9%	24.9%	
Reported operating margin	11.2%	13.1%	1.9%	5.9%	18.6%	19.5%	0.8%	6.4%	20.9%	22.0%	1.1%	2.5%	
Normalised PBT	20.8	22.7	9.3%	48.3%	25.4	27.0	6.3%	18.6%	29.9	31.6	5.7%	17.1%	
Reported PBT	9.6	11.6	20.0%	184.8%	17.8	19.4	9.0%	67.6%	22.3	24.0	7.6%	23.7%	
Normalised net income	16.4	18.0	9.3%	46.4%	20.1	21.3	6.3%	18.6%	23.6	24.9	5.7%	17.1%	
Reported net income	7.9	9.6	20.7%	-67.0%	15.1	16.5	9.0%	72.6%	19.0	20.4	7.6%	23.7%	
Normalised basic EPS (\$)	0.055	0.060	9.4%	46.8%	0.067	0.071	6.5%	18.2%	0.078	0.083	5.9%	15.9%	
Normalised diluted EPS (\$)	0.053	0.058	9.4%	46.8%	0.065	0.069	6.5%	18.2%	0.075	0.080	5.9%	15.9%	
Reported basic EPS (\$)	0.027	0.032	20.8%	-66.9%	0.051	0.055	9.2%	71.9%	0.063	0.068	7.8%	22.5%	
Net debt/(cash)	(127.4)	(130.9)	2.8%	31.5%	(159.8)	(166.8)	4.4%	27.5%	(195.2)	(202.3)	3.6%	21.2%	
TPV (\$bn)	10.42	10.51	0.9%	18.6%	11.74	11.88	1.2%	13.0%	12.98	13.00	0.2%	9.5%	
Take rate	0.76%	0.79%	0.03%	0.07%	0.77%	0.80%	0.03%	0.01%	0.79%	0.81%	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	82.7	95.0	105.0
Cost of Sales		(2.3)	(2.5)	(5.6)	(4.9)	(1.6)	(1.8)	(2.9)	(3.3)	(3.7)
Gross Profit		22.1	32.8	44.6	51.5	60.5	62.0	79.8	91.7	101.3
EBITDA		(2.3)	6.3	10.7	15.3	22.9	20.5	27.3	31.7	36.9
Normalised operating profit		(4.0)	4.8	4.5	11.6	18.6	15.8	22.0	26.1	30.7
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	10.8	18.5	23.1
Net Interest		(2.4)	(0.6)	(0.4)	(0.6)	(0.7)	(0.5)	0.8	0.9	0.9
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	22.7	27.0	31.6
Profit Before Tax (reported)		(28.5)	(3.0)	(1.3)	(17.3)	9.9	4.1	11.6	19.4	24.0
Reported tax		(0.1)	(1.3)	1.7	(1.5)	1.9	0.2	(2.0)	(2.9)	(3.6)
Profit After Tax (norm)		(4.8)	3.4	3.2	8.8	14.3	12.3	18.0	21.3	24.9
Profit After Tax (reported)		(28.7)	(4.3)	0.4	(18.8)	11.8	4.3	9.6	16.5	20.4
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	18.0	21.3	24.9
Net income (reported)		(28.7)	(4.3)	0.4	(18.8)	6.3	28.9	9.6	16.5	20.4
Basic ave. number of shares outstanding (m)		150.3	217.1	246.8	273.8	294.0	298.3	297.4	298.6	301.6
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	0.06	0.07	0.08
EPS - basic reported (\$)		(0.19)	(0.02)	0.00	(0.07)	0.02	0.10	0.03	0.06	0.07
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	29.7	14.9	10.5
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	33.0	33.3	35.2
Normalised Operating Margin		(16.5)	13.7	9.0	20.5	30.0	24.8	26.6	27.5	29.2
BALANCE SHEET										
Fixed Assets		26.9	23.0	52.2	69.8	71.9	78.6	79.7	79.8	79.8
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	18.2	17.3	16.7
Current Assets		79.3	84.0	89.2	155.2	145.0	212.4	266.7	329.3	381.9
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	118.7	145.3	162.5
Cash & cash equivalents		18.7	31.1	34.7	61.3	56.7	99.6	130.9	166.8	202.3
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)	(205.1)	(244.9)	(270.8)
Creditors		(75.5)	(77.4)	(78.0)	(136.8)	(119.6)	(156.3)	(203.6)	(243.4)	(269.3)
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	131.3	154.2	181.0
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	131.3	154.2	181.0
CASH FLOW										
Op Cash Flow before WC and tax		(2.3)	6.3	7.4	15.3	22.9	20.5	27.3	31.7	36.9
Working capital		1.0	7.2	3.0	20.1	(7.1)	27.9	18.8	13.2	8.7
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	42.1	42.8	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)	(9.7)	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	31.3	36.0	35.4
Opening net debt/(cash)		9.9	(16.2)	(28.9)	(32.6)	(49.0)	(48.8)	(99.6)	(130.9)	(166.8)
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)	(130.9)	(166.8)	(202.3)

Source: Boku, Edison Investment Research

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