EDISON

Boku

FY23 results

Making the complex simple for global merchants

Software and comp services

Boku's strategy to widen its offering within the local payment method (LPM) market accelerated FY23 revenue growth to 30%, with 15% growth from the core direct carrier billing (DCB) business and supplemented by 153% growth from eWallets and real-time payments. EBITDA grew 27% y-o-y as the company continued to invest in building out its LPM network from a technological and regulatory perspective. With all major merchants using or planning to use Boku's wider portfolio of payment methods, the company should benefit from faster growth in the non-card payment market and be able to leverage the investment it has made in its mobile-first platform to drive growth in earnings and cash generation.

Year end	Revenue ($m)	EBITDA* ($m)	Diluted EPS* (c)	DPS ($)	P/E (x)	EV/EBITDA (x)
12/22	63.8	20.2	4.0	0	59.2	27.9
12/23	82.7	25.8	5.6	0	42.0	21.9
12/24e	95.0	31.7	6.9	0	33.7	17.8
12/25e	105.0	36.9	7.9	0	29.7	15.3

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

LPMs drive exceptional growth in FY23

Boku reported 30% revenue growth in FY23 helped by 153% growth in revenue from LPMs (now 20% of revenue, up from 10%) but also seeing robust growth from its core DCB business. To take full advantage of the growing popularity of account-to-account (A2A) payments, the company is investing to support the necessary settlement and regulatory processes. In addition, it paid a $0.9m non-contractual bonus to all staff for overperformance, holding EBITDA growth at 27%.

Helping merchants stay competitive

Boku has built out a network that can connect c 300 merchants with nearly 300 non-standard LPMs, including DCB, eWallet and A2A connections. As LPMs make up a growing share of global e-commerce payments, Boku is well positioned to benefit as its major merchants adopt a local payment acceptance strategy to maintain their competitiveness. We maintain our FY24 and FY25 revenue and EBITDA forecasts and introduce FY26 forecasts. We forecast a normalised diluted EPS CAGR of 18.1% from FY23 to FY26e.

Valuation: LPM adoption to drive upside

Boku is trading at a small premium to its peer group on FY24/25 EV/EBITDA multiples. Via a reverse discounted cash flow (DCF) that uses our forecasts to FY26 (which are more conservative than the company's mid-term targets would suggest) and a WACC of 9%, we estimate the share price is factoring in revenue growth of 4.5% and average EBITDA margins of 35% for FY27–33, well below the company's targets. In a DCF factoring in meeting the targets by FY27, we estimate the shares could be worth 251p. 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.

20 March 2024

Price	**183.5p**
Market cap	**£545m**
	$1.27/£
Net cash ($m) at end FY23* *Excludes restricted cash of $21.1m	129.7
Shares in issue	297.1m
Free float	80.3%
Code	BOKU
Primary exchange	AIM
Secondary exchange	N/A

Share price performance

%	1m	3m	12m
Abs	16.5	32.0	48.0
Rel (local)	16.2	30.5	40.4
52-week high/low		184p	125p

Business description

Boku operates a billing platform that connects merchants with mobile network operators and local payment methods in more than 70 countries. It has c 450 employees, with its main offices in the US, UK, Estonia, Germany and India.

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AGM	22 May

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Investment summary

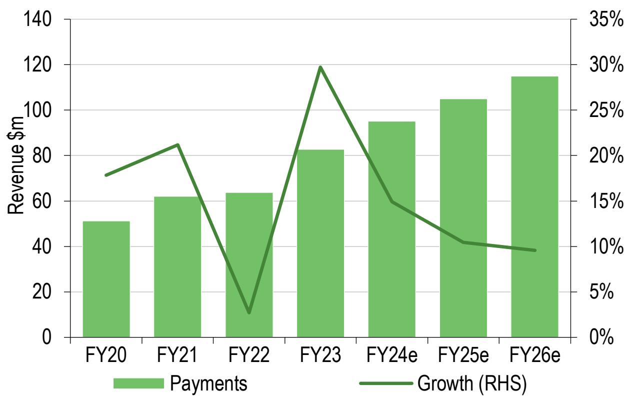
Helping merchants to grow their businesses

Boku has developed and operates a platform that connects merchants with local payment methods. This supports mobile commerce through the following routes: DCB, digital wallets and real-time payments. Key investment considerations include:

- Boku is focused on helping merchants to acquire, monetise and retain customers by simplifying the process through which merchants can offer local payment methods. It views its competitive advantages as reach, breadth of offering, quality and performance.
- Boku has expanded the payment types it can process to include digital wallets and real-time payments and is actively looking at other local payment methods where its merchant relationships and customer service give it a competitive edge. This expands the addressable market to include the whole e-commerce market (c $6.3tn) as opposed to that for digital content only (c $500bn).
- Boku's platform is built to scale; additional transactions can be processed at minimal marginal cost giving Boku the flexibility to offer attractive pricing and providing strong operating leverage.
- The DCB business (80% of FY23 revenue) is well established with 241 carrier connections in 73 countries. While DCB is often used in markets where credit/debit card ownership is low, Boku is more focused on developed markets, where the ease of setting up and making DCB payments is a powerful tool for attracting customers to digital content merchants.
- Boku has signed up major merchants in key digital content categories, for example Microsoft for its app store, Amazon for video streaming and bundling, Spotify for music, Netflix for video streaming and Sony for games. By focusing on the largest merchants in each category, it can more efficiently scale as transaction volumes grow.
- The company should see growth from its existing merchant base over the next three years as merchants widen the services they take from Boku to include local payment methods in addition to their existing DCB connections. In FY23 revenue from digital wallets and real-time payments increased 153% y-o-y to 20% of revenue from 10% in FY22.

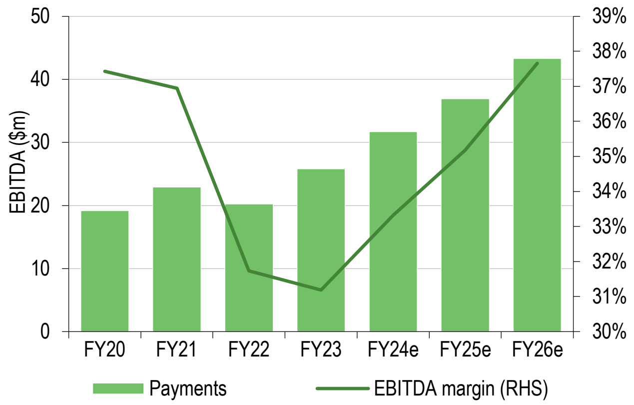
Financials highlight margin expansion post LPM investment

Exhibit 1: Revenue progression, FY20–26e



Source: Boku, Edison Investment Research. Note: Continuing operations only.

Exhibit 2: EBITDA progression, FY20–26e



Source: Boku, Edison Investment Research. Note: Continuing operations only.

Boku reported 30% revenue growth in FY23, with 15% growth from DCB and 153% from other LPMs. EBITDA grew 27% to €25.8m equating to a margin of 31.2%. We forecast normalised group

EBIT margins to grow from 24.7% in FY23 to 30.0% by FY26 and we forecast continued growth in cash over the next three years. For normalised EPS, we forecast a CAGR of 18.1% from FY23 to FY26e.

Upside potential from widespread adoption of LPMs

On enterprise value (EV) multiples, Boku is trading at a small premium to its payment processing peers. A DCF based on the company achieving its medium-term growth targets suggests a share price of 251p. Considering the company's expanding LPM business, we would expect growth to exceed the wider payment processing market as it takes share from card-based payments, justifying a premium rating over peers focused on card-based processing. Key catalysts for the share price would be a growing contribution from local payment methods, including Amazon, and new major merchants signing up.

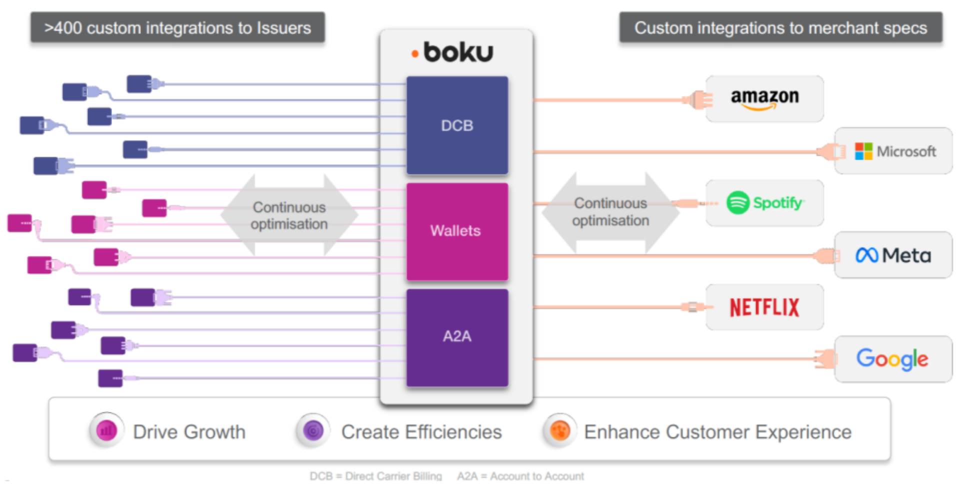
Factors influencing growth and profitability

As well as the usual risk factors relating to competition, regulation and the company's technology platform, we see potential for merchant-related factors to influence our forecasts and the share price, both on the upside and downside. For existing merchants, this includes the pace of roll-out to new carriers and countries, the adoption of LPMs as a payment mechanism, the rate of growth in the underlying adoption of digital content, the competitive positioning of major merchants, customer concentration and the fact that some contracts contain short notice periods.

Local payment solution provider

Boku's technology has been developed to support mobile commerce, which takes advantage of the more than 5.4 billion global mobile phone subscribers. Evolving from the platform that the company built to support DCB, Boku's mobile-first network connects nearly 300 local payment methods (ie not debit/credit card) with c 300 merchants, enabling merchants to offer their customers local payment options such as eWallets, real-time payments or DCB through a single contract and a single integration.

Exhibit 3: Boku's mobile-first network connects merchants with local payment options



Source: Boku

Boku manages the payment transactions on behalf of the local payment providers and merchants but, more importantly, provides a route to market to a section of consumers who may be more difficult to reach via traditional customer acquisition methods. Boku has seen rapid growth in transactions processed via its platform and we believe this growth should continue as alternative payment providers and merchants join the network.

Boku: A short history

Boku was founded in 2008 by Mark Britto, Erich Ringewald and Ron Hirson. In 2009, Boku acquired DCB companies Mobilcash and Paymo, and shortly after launched its DCB service. The first product was Boku Checkout, which added the cost of items acquired to the consumer's mobile phone bill or reduced their pre-paid credit. This was popular with gamers, as it enabled them to pay for games on their PCs, social gaming on Facebook and multi-player online games. In 2012, Boku acquired Qubecell, an Indian DCB company, which gave the company access to Indian mobile network operators (MNOs) and, more importantly, development resource. With the signing of Sony as a merchant in 2013, Boku enabled purchases to be made from games consoles. In 2014, Boku acquired Mopay, its main competitor, for $24m. In 2015, Boku launched its second product, Boku Account, which provides the phone equivalent to 'card on file', supporting upgrade and repeat purchases. In 2016, the company launched Boku Acquire, which supports the bundling of additional products and services within a subscriber's carrier plan. Boku listed on AIM in November 2017, raising £15m at 59p per share. In January 2019, Boku acquired Danal, a US-based provider of identity verification services, for $25.1m (sold on 1 March 2022 for $32.3m). To consolidate its position in the DCB market, Boku acquired Estonian-based Fortumo in 2020 for an enterprise value of $37.8m. The company has c 450 employees across 29 countries, with its main offices in the UK, US, Germany, Estonia and India.

Growth strategy: Help merchants reach more customers worldwide

Boku's mission is to build the world's best network of localised payment solutions and its vision is to help enable borderless commerce by offering better payment choice.

With a wide network of carriers and a growing number of digital wallet and real-time payment providers connected to the platform, this offers an attractive way for merchants to access new customers. In turn, as more merchants sign up, it makes the Boku platform more attractive to local payment providers. Boku's key strategic focus areas in the medium term are:

- **Continued development of the LPM network** to build on the company's expertise in DCB and to grow global reach in line with merchants' demands.
- **Delivering A2A payments for mobile commerce.** As banks around the world invest millions of dollars in developing 'open banking' style real-time networks, increasingly used to power commerce, Boku is building out its A2A capabilities. This method has some added nuances, such as real-time cleared funds and requirement for direct scheme participation.
- **Marketing via LPMs.** Boku's network can connect to more than seven billion standalone consumer accounts, providing an opportunity for merchants to market their services via Boku.
- **Expanding banking and settlement capabilities.** Boku aims to add increasing value to merchants by continuing to invest in its ability to process, reconcile, convert and settle funds globally.

While Boku has c 300 merchants using its platform, we expect that the majority of revenue will come from a small number of large merchants. We see growth from the following factors:

- adding more payment types (eg eWallets, real-time payments);
- connecting more LPMs with existing merchants (the average merchant is connected to less than 10% of the payment connections on the network);
- adding more merchants;
- growth in demand for digital content and growth in the wider e-commerce market; and

- growth from existing DCB and eWallet connections.

In FY23, Boku supported 125 new payment launches for merchants including Amazon, Disney, Google, Meta, Microsoft, Netflix, Sky and Spotify.

Potential to double revenues and reach 50% EBITDA margin

At its capital markets day in February 2023, the company outlined its medium-term financial targets:

- **Revenue:** to double from FY22 level, with revenues from real-time payments expected to overtake eWallets. This also assumes more modest growth from DCB with loyal customers and continued growth in digital content. The majority of growth is expected to come from existing major merchants with a more limited contribution from new merchants. Depending on the definition of medium term, doubling over five years implies a revenue CAGR of 14.9%; over six years, it would be 12.2%. We note the company grew 30% in FY23, meaning growth of 11.4% per annum would be needed over the next four years to meet the target of doubling in five years.
- **Take rate:** expected to increase from the current level as LPM take rates are higher than the group average.
- **Gross margins:** to remain at 97%.
- **Opex:** headcount growth is expected to slow, platform costs are fixed and a large proportion of the regulated infrastructure has been built.
- **EBITDA margin:** to expand to more than 50% from the 32% reported in FY22. The timing of this expansion will depend on the level of investment the company decides to make into LPMs, with A2A, in particular, needing investment to support real-time settlement, cross-border transactions and regulatory compliance.

Management: Strong background in payments

The members of Boku's board and senior management team have many years of experience in the payments industry. CEO Stuart Neal was appointed to the role on 1 January 2024. He worked at Boku from 2012 to 2014 and 2017 to 2022 in various roles, including as CFO and head of the Identity business. CFO Keith Butcher previously held the role of CFO at Optimal Payments, which became Paysafe, and DataCash Group, which was acquired by Mastercard. Stuart and Keith are supported by Chief Business Officer Mark Stannard, Chief Product Officer Adam Lee and Chief Technology Officer Keegan Flanigan. The CEO and CFO are joined on the board by non-executive Chairman Dr Richard Hargreaves and non-executive Directors Stewart Roberts (retiring at AGM in May), Charlotta Ginman, Mark Britto, Meriel Lenfestey, Loren I Shuster and Jon Prideaux (Boku CEO 2014-2023), who together bring experience in venture capital investing, the payments industry, human resources, technology and telecom companies and AIM companies.

Exploiting the growth in local payment methods

Boku's aim is to support merchants to acquire, monetise and retain mobile-first customers. The company's original focus was on the DCB market. This is still the main revenue and profit generator for the group, but the company now also supports digital wallets (eWallets) and real-time payments as payment options that merchants can offer to their customers.

Recognising that mobile commerce is the fastest growing segment of e-commerce, Boku has evolved its platform to incorporate multiple mobile payment methods with one integration, supporting nearly 300 payment methods across 77 countries. Boku estimates it has access to 7.5bn user accounts via these payment methods (split roughly 50/50 between carrier billing and eWallets/real-time payments).

Boku sees its role as helping merchants in three areas:

1. Before a transaction: helping merchants to commercialise in places where customer payment choice is key to commercial success. In FY23, Boku helped merchants to add more than 66 million new paying customers through targeted bundling and user acquisition programmes.
2. During a transaction: creating ‘effective simplicity’ by connecting to popular LPMs around the world and working with merchants to build application programming interfaces (APIs) that provide a frictionless user experience, resulting in the highest possible user conversion rates.
3. After a transaction: moving money, converting currencies and remitting funds in multiple countries. Allowing consumers to pay in local currencies while enabling merchants to receive funds in their currency of choice.

Debit and credit cards not the only way to make payments

Mastercard and Visa-based payments (both debit and credit) have grown solidly over the last 12 years at a combined CAGR of 10.8% since 2010. In the UK, debit and credit cards made up 46% of online payments by value in 2022 (source: Worldpay Payments Report 2023) with eWallets (eg PayPal, Apple Pay, Google Pay) making up 35%. In the US, cards made up 50% of online payments with eWallets at 32%. However, looking at these statistics globally, eWallets made up 49% of online payments with card payments at 32% due to the popularity of eWallets in Asia, where they made up 69% of online payments in 2022. Popular wallets in Asia include Alipay, WeChat Pay, Paytm, GoPay and GrabPay. Exhibit 4 shows how the split of online payments has shifted in favour of local payment methods (which include DCB, eWallets and real-time payments) even while card-based payments have shown strong growth.

While real-time payments (also known as A2A payments) make up a smaller share of e-commerce payments volume (9% in 2022 according to Worldpay), they are growing rapidly. These schemes allow consumers to make payments directly from their bank accounts, with no involvement from the card schemes, and can also be used for business-to-business transactions. Schemes tend to be country specific, for example Faster Payments in the UK, Pix in Brazil (24% of e-commerce spend by value in 2022, doubling from 2021) and UPI in India (19% of e-commerce spend by value in 2022), and therefore there is no standardisation from country to country. Boku estimates that in the longer term, real-time payments are likely to overtake eWallet payments.

Based on research carried out by Juniper on behalf of Boku, in 2023 local payment methods were used for c 50% of all e-commerce transactions globally (this excludes card-linked wallets) and is expected to rise to 58% by 2028.

Exhibit 4: Payments growth masks shift to local payment methods

Source: Boku

Making the complex simple

The process for accepting debit and credit cards is standardised, with Visa and Mastercard setting out rules for the use of their networks and banks well integrated into these networks. Other payment mechanisms, however, do not follow such a standardised approach. This is the area that Boku is focused on, helping merchants to offer the right mix of payment options in each country, even if some of those methods are complex to integrate with. Boku works with merchants and local payment providers to integrate them into its platform, undertaking the custom work to make this happen, rather than forcing them to follow Boku's own processes.

Initially Boku focused on DCB; this requires integration with carriers in each country in which the merchant wants to offer this as an option, and carrier back-office operations within a group can vary widely from country to country. We discuss below the DCB market and Boku's DCB operations in more depth. Recognising that other payment methods, such eWallets and real-time payments, are also significantly more difficult to integrate with than standard card payments, Boku started investigating this area in 2019. Exhibit 5 shows the progress it has made integrating eWallets into its platform.

Exhibit 5: eWallet coverage

Wallets	Region	Countries	Wallets	Region	Countries
AliPay	Asia Pacific	China, Hong Kong	Ovo	Asia Pacific	Indonesia
Dana	Asia Pacific	Indonesia	Paga	Middle East and Africa	Nigeria
EasyPaisa	Asia Pacific	Pakistan	PayMaya	Asia Pacific	Japan
Gcash	Asia Pacific	Philippines	Paytm	Asia Pacific	India
GoPay	Asia Pacific	Indonesia	QRIS	Asia Pacific	Indonesia
GrabPay	Asia Pacific	Singapore, Philippines, Malaysia	STC Pay	Middle East and Africa	Saudi Arabia
JKOPay	Asia Pacific	Taiwan	Satispay	Europe	Italy
KakaoPay	Asia Pacific	S. Korea	ShopeePay	Asia Pacific	Vietnam, Indonesia, Thailand, Singapore, Philippines, Malaysia
LINE Pay	Asia Pacific	Thailand, Taiwan, Japan	Toss	Asia Pacific	S. Korea
M-Pesa	Middle East and Africa	Kenya, Tanzania	Toss Pay	Asia Pacific	S. Korea
Maya	Asia Pacific	Philippines	Touch'n'Go	Asia Pacific	Malaysia
Meeza Mobile Wallets	Middle East and Africa	Egypt	TrueMoney	Asia Pacific	Thailand
Mercado Pago	Latin America	Brazil	Twint	Europe	Switzerland
Momo	Asia Pacific	Vietnam	WeChatPay	Asia Pacific	China, Hong Kong
Naver Pay	Asia Pacific	S. Korea	ZaloPay	Asia Pacific	Vietnam
Nequi Conecta	Latin America	Colombia	jazzCash	Asia Pacific	Pakistan

Source: Boku

Boku started integrating real-time payments more recently (see Exhibit 6) so has more work to do to get wide coverage.

Exhibit 6: Account-to-account coverage

A2A scheme	Region	Country	A2A scheme	Region	Country
BLIK	Europe	Poland	Pix	Latin America	Brazil
Bancolombia	Latin America	Colombia	PromptPay	Asia Pacific	Thailand
FPX	Asia Pacific	Malaysia	SEPA ICT	Europe	Eurozone
Faster Payments UK	Europe	UK	UPI	Asia Pacific	India
Kbank	Asia Pacific	Thailand	VNPay	Asia Pacific	Vietnam
KMA	Asia Pacific	Thailand	Virtual Account	Asia Pacific	Indonesia
Korean Open Banking	Asia Pacific	South Korea	iDEAL	Europe	Netherlands
NIBSS	Middle East and Africa	Nigeria			

Source: Boku

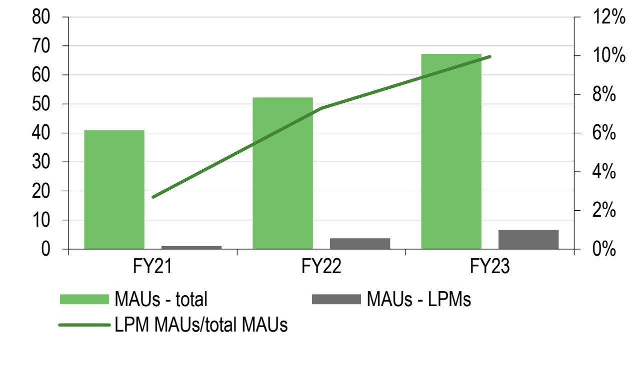
Gaining access to the wider e-commerce market

As DCB operates at a higher cost than other payment mechanisms such as debit cards, Boku believes there is a natural ceiling on the size of the DCB market, estimating that it is unlikely to exceed a 15–20% share of checkout. According to an Ovum report, Apple App Store and Google Play saw 15% of their worldwide revenue come from DCB after it was adopted. Considering that the digital entertainment market is worth c $500bn (source: Statista Nov 2023), this would equate to a maximum total addressable market of c $75bn. Adding local payment methods to its mobile-first network offers a twofold benefit for Boku: the company has the potential to win a greater share of the digital content checkout; and, in addition, it widens the addressable market for Boku to include all e-commerce ($6.3tn in 2023 per Statista), as opposed to just the digital content that can be acquired using DCB. In the same way that digital content merchants use Boku as a combined customer acquisition tool and payment processor, we expect offering wallets as an alternative payment mechanism will appeal to global merchants wanting to access consumers in regions with strong wallet usage such as South-East Asia. Conversely, using Boku should be attractive to wallet operators wanting to attract new merchants. As an example of the scope to grow within existing customers through supporting LPMs, one major merchant allows customers to pay for digital advertising via LPMs, with 16 connections in 10 countries by the end of FY23.

LPMs the main growth driver for Boku

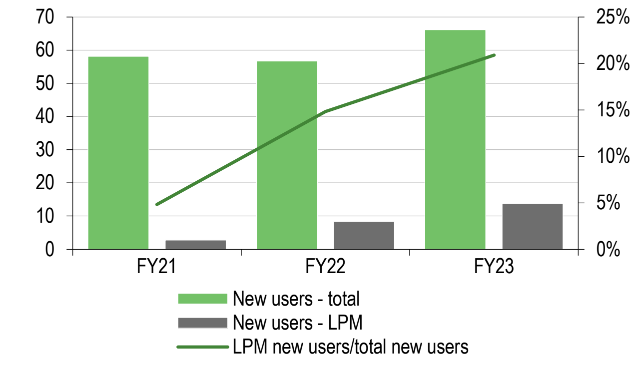
Boku has already made good progress with LPMs. By the end of FY23, there were more than 100 live connections for LPMs, including a large games merchant connection with Alipay and WeChat Pay in China. All of its major merchants (ie Amazon, Google, Meta, Microsoft, Netflix, Sony and Spotify) are currently or contracted to be customers for both DCB and LPMs. In the charts below, we show the progression in monthly active users (MAUs) and new users for the group and for LPMs. LPM MAUs now make up 10% of total MAUs and more than 20% of new users. LPM revenues increased 153% in FY23, growing to 20.4% of group revenue from 10.5% in FY22. LPM revenue contribution is double that of the proportion of MAUs, we assume through a combination of higher than group average take rate and larger transaction sizes, which makes sense considering that these methods do not have limits on the amount that can be spent each month, unlike for DCB.

Exhibit 7: Monthly active users



Source: Boku

Exhibit 8: New users



Source: Boku

Amazon contract for LPMs to drive future growth

In September 2022, Boku signed a contract to supply its digital wallet and other local payment methods to Amazon. Boku is processing payments for Amazon Prime Video subscriptions for customers located in certain countries in South-East Asia and Africa. The contract has been signed for a minimum period of three years, with annual contract renewals thereafter. The company launched 13 eWallets across six countries during FY23. As part of this contract, Boku has issued warrants to Amazon to subscribe to up to 11.2m Boku shares (discussed in more depth in the

Financials section) based on Amazon achieving certain revenue targets. Boku already provides DCB services for Amazon bundling, although this is one of Boku's less material DCB contracts. This contract provides the potential for more material revenue flows from Amazon. Management noted that this contract arose from a referral from another major merchant and was won due to Boku's ability to manage subscriptions within wallets.

Competition tends to come from local providers

While the traditional payment processors such as Worldpay and Adyen could represent competition, they tend to focus on high-volume, standard payment methods, and expect merchants to fit with their way of working rather than the other way round. One merchant customer noted that when it moved from using a card processor to Boku, it saw more than a 35% revenue uplift on the LPM connection; another quoted a 20% uplift. Boku is more likely to see competition from local payment specialists, for example dLocal and Rapyd. Management believes its differentiators are that it has now built up a larger roster of wallet providers than the competition, with an optimised user experience and the ability to manage recurring transactions. It is willing to work with merchants so that the wallets integrate with their processes, rather than the other way around.

DCB: Well-established growth business

While future growth is likely to predominantly be driven by LPMs, DCB is still the main source of revenue and profit for Boku. We explain how DCB works and why it has proven so attractive to major merchants of digital content.

Market drivers: Smartphones, digital content, ease of use

The DCB payment method uses a consumer's mobile bill (pre-paid credit or post-paid monthly bill) as the means to pay for digital content or services. The market started before the widespread adoption of smartphones with the provision of premium SMS. DCB then evolved as a way to pay for products on PCs, mainly computer games. It offers a good way to make smaller payments as these typically do not hit carrier monthly credit limits and it provides a simpler way to pay for things than repeatedly having to enter card details. Smartphones enabled a new market: digital content consumed and paid for on the mobile. Having a simple, frictionless way to pay is even more important on a phone. Typical content that is paid for with DCB includes games for computers, consoles and phones, music, video and apps.

We summarise below the key benefits of DCB for consumers, merchants and carriers.

- **Consumers – frictionless payment method.** DCB provides a payment method to consumers who are concerned about the security risks of using their card online or do not want the inconvenience of entering card details every time.
- **Merchants – cheaper customer acquisition channel.** Through one connection to Boku's platform, a merchant can access many carriers and their subscribers without having to connect individually to each carrier. This gives merchants access to a market that might not otherwise buy their products. This also explains why they are willing to offer DCB despite its high cost compared to card payments, as they view the fees as a combination of a payment processing fee and customer acquisition cost. On average, a merchant moving onto Boku's platform can expect to see a 20% uplift in volumes.
- **Carriers – one connection to access incremental revenue opportunities.** Through one connection to Boku, a carrier can support a variety of merchants and drive incremental revenue streams. The carrier can typically earn 5–15% of the transaction value for delivering customers

to merchants. Offering subscription services as part of a bundled contract can also increase subscriber retention.

For content acquired from an app store using DCB, a typical revenue split could see the app developer earn over 79%, the app store 15%, the carrier 5% and Boku 1%. Both the merchant and the carrier benefit from a material proportion of the value of the content sold. Boku's margin will vary in size depending on the work undertaken to enable the payment.

Merchant views on using LPMs

At the 2023 capital markets day, two customers of Boku's LPM services explained their approach to selecting payment providers.

- **Spotify** started working with Boku in 2012 and now has 64 carrier and 17 wallet connections. It uses local payment methods to reach new customers, to match customers' payment preferences and to access challenging markets. It allocates volume across its payment providers according to their performance (ie their acceptance rates). It chooses payment methods on a country-by-country basis and aims to have the optimal mix of options at the checkout (this does not mean the most), decided on after testing to assess efficiency.
- **Netflix** started working with Boku in 2016, with a focus on Asia. It reached three countries with four DCB connections by 2018, 10 countries with 14 DCB connections by 2020 and 26 countries with 49 DCB connections and 15 wallet connections by 2023. It selects its payment providers based on their ability to scale, improve reach and provide a seamless and secure solution, and Boku met these criteria. Key metrics that Netflix monitors include conversion rates, churn rates and fraud. Netflix is keen to future-proof its services and this often means being an early adopter of new payment methods.

Boku's DCB payment solutions

Boku signs up merchants through a direct sales approach and offers services for one-off payments, repeat transactions and bunding. For **one-off payments**, when a consumer reaches the payment page for an online merchant they are presented with the 'pay by mobile' option, which allows them to charge the cost of the item to their mobile phone bill (pre- or post-paid). Once the consumer has entered their mobile phone number, they are sent a text message asking them to confirm the transaction. The service for **repeat payments** is more deeply integrated with the carrier, connected to its identity verification systems. It provides 'phone number on file' capability, like the 'card on file' functionality offered by many online retailers. The consumer's phone number is used for all subsequent purchases without confirmation needed from the consumer. It is particularly useful for merchants that want to improve their activation rates, for example merchants offering freemium subscription services can use Boku to capture consumer payment details at the start of the relationship, easing the upgrade to a paid subscription. Boku also offers a **bundling** service that supports carrier-led customer acquisition. This enables carriers to bundle third-party products and services into their plans. For example, several operators provide free trial periods of Apple Music or Spotify as part of a monthly plan that will hopefully result in a subscriber signing up for the paid service after the trial period.

DCB by end-market

Boku has been successful in signing up the largest merchants in the main digital content categories. In some cases, Boku is the sole DCB provider. In others, the merchants split the carriers across two or more DCB providers. In the table below, we summarise the main content categories, the size and growth potential of each category, and Boku's position within it.

Exhibit 9: Digital content addressable market and customers

Digital content	App stores	Games	Music	Video	Other
Type of content	All content acquired in app stores, eg apps, games, music	Games played on PCs, consoles, mobiles	Music streaming services	Video on demand services	e-books, parking apps, dating apps
Market size/growth	2023 revenues: in app purchase revenue c $130bn (source: Sensor Tower)	Est $184bn in 2023 (+0.6% y-o-y); growing to $205m in 2026 (source: NewZoo).	Est $26.6bn in 2022; CAGR 5% 2022–27 (source: Statista)	Est $96bn in 2023, CAGR 9.5% 2023–27 (source: Statista)	N/A
Merchants	All the major app stores	Sony, Microsoft (including Activision Blizzard), Epic Games, EA Games, Riot Games, Tencent Games, Xsolla, Pearl Abyss, Antstream	Spotify, Deezer, AWA	Netflix, ALTBalaji, Disney, ByteDance (TikTok), Amazon Prime, iQIYI, DAZN	Legimi, Tinder
Comments	Sole provider to one app store covering 50 countries and 124 MNOs		Two largest customers combined have over 40% of paid subscriber market		

Source: Edison Investment Research

Competitive landscape

The DCB market has consolidated in recent years, with Boku acquiring Fortumo in 2020 and Bango acquiring Docomo Digital (NTT Docomo's DCB business) in 2022. Boku also competes with carriers connecting directly to merchants to provide DCB. We would expect more carriers to migrate to the third-party model to access merchant connections more easily.

Growth strategy for DCB solutions

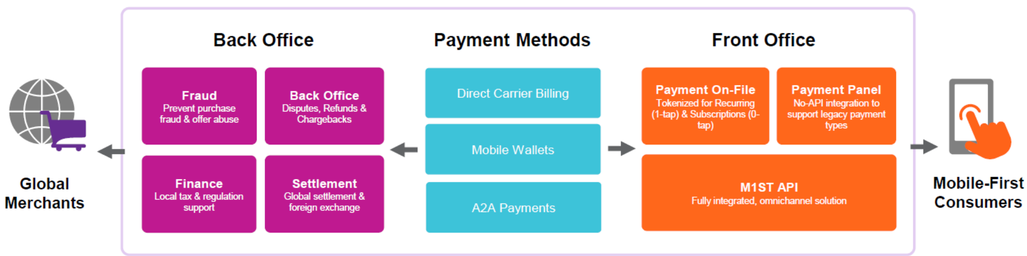
Boku believes it has a good medium-term growth opportunity from its **existing merchant base**, mainly through connecting them to more potential consumers. The decision on who to connect to tends to be merchant led, but Boku also suggests new connections to merchants, both in terms of new countries and adding carriers in existing countries. Currently, merchants are connected on average to less than 10% of connections on the network. The company also continues to sign up **new merchants**, with a particular focus on those that have a strong position in their given market.

Growth in the **adoption of digital content** should drive growth in transactions. In addition, it can take 20 months for a merchant to see optimal adoption from existing carriers; initially only new users will be using the service, but as existing users' cards expire, they are made aware of the DCB option.

How the platform works

Boku connects all merchants, carriers and local payment method providers to its mobile-first payments network. Exhibit 10 shows the main functions of the platform.

Exhibit 10: Boku's mobile-first network



Source: Boku

Boku has spent more than $150m to date to build and maintain its platform. The platform is cloud-based, hosted by AWS in two independent regions running active/active with one second failover. It has a 99.99% success rate SLA (service level agreement). The platform has seen a peak throughput of 400 transactions per second (TPS) and has capacity for more than 1,000 TPS. Each region can handle 100% of maximum capacity. The platform is ISO 27001 certified and in 2022 underwent 50 external security assessments. The company invests in continuous optimisation of the platform to improve conversion and authorisation rates.

Boku has 190 bank accounts across 34 entities and covering 35 local currencies. Its settlement operations for LPMs provide daily settlement and merchant reporting. It provides funds segregation, reporting to regulators and tax compliance, and its treasury services ensure funds are available to merchants in the right currency and entity, offering competitive FX rates.

Regulatory considerations

Operating globally, Boku comes under the remit of a number of different regulatory regimes. It must also comply with anti-money laundering (AML) and counter-terrorism financing (CTF) regulations in the countries in which it operates. DCB tends to be exempted from money transmission regulations as long as transaction limits are respected. As Boku has expanded its offering to other local payment methods, it is going through the process of obtaining the necessary licences in the territories in which it operates. It can currently process regulated payments in more than 60 countries, with licences in Hong Kong, India, Ireland (passported across the EEA), Malaysia, Singapore, the Philippines, the UK and the US, and with applications and partnerships in several other countries.

ESG approach

Boku's ESG strategy and measures can be found here.

Mitigating its environmental impact

Boku considers three aspects relating to the environment:

- **Strategic**: how its strategy can contribute to a better outcome for the planet and its people. Boku is focused on UN Sustainable Development Goal 10, in particular 10.5: 'improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations'. By ensuring Boku entities are registered or have payment approval, it is able to provide regulated payment services in an increasing number of countries globally. Its services can also be used by the unbanked and the underbanked to improve their financial inclusion.
- **Risks:** what risks may need to be considered related to climate change.
- **Operational:** how the company can do good and reduce harm in its day-to-day working. In FY21, Boku started measuring and reporting Scope 1 and 2 emissions. The intensity ratio (tCO_2 per $m revenue) decreased by 18% in FY23 to 1.88, reflecting higher use of renewable energy in the UK and German offices partially offset by the use of larger offices spaces in Estonia and India. The company uses renewable energy where possible. The company has committed to reporting on Scope 3 emissions in due course and has engaged with an external consultancy firm to review existing reporting processes and help the company build out its Scope 3 reporting capabilities.

Making a positive social impact

Boku aims to have a culture of respect, equity and inclusion. Initiatives include employee engagement, mentoring, training, well-being and work-life balance policies and benefits, and connecting its global workforce. The company has a diversity, equity, and inclusion (DEI) committee and a full-time resource for DEI was hired in FY23. As a technology company, management is aware of the gender diversity challenges and is focused on improving the gender balance and pay gap from entry level to senior management and the board. In FY23, women represented 33% of the global workforce, up 4pp from FY22.

Financials

For details on the business model, please see the appendix in Edison's April 2022 report.

Review of FY23 results

Exhibit 11: FY23 results highlights

$m	FY22	FY23e	FY23	Diff	y-o-y
Revenue	**63.8**	**82.7**	**82.7**	**0.0%**	**29.7%**
Gross profit	62.0	79.8	80.7	1.1%	30.1%
Gross margin	97.2%	96.5%	97.5%	1.0%	0.3%
EBITDA	**20.2**	**27.3**	**25.8**	**-5.6%**	**27.5%**
EBITDA margin	***31.7%***	***33.0%***	***31.2%***	***-5.6%***	***-0.6%***
Normalised operating profit	15.8	22.0	20.4	-7.1%	29.6%
Normalised operating margin	24.7%	26.6%	24.7%	-1.9%	0.0%
Reported operating profit	8.0	10.8	9.7	-10.0%	21.4%
Reported operating margin	12.6%	13.1%	11.7%	-1.3%	-0.8%
Normalised PBT	15.3	22.7	22.1	-3.0%	44.4%
Reported PBT	4.1	11.6	11.4	-1.4%	180.8%
Normalised net income	12.2	18.0	17.4	-3.0%	42.6%
Reported net income	28.9	9.6	10.1	5.6%	-65.1%
Normalised basic EPS ($)	0.041	0.060	0.058	-3.2%	42.7%
Normalised diluted EPS ($)	0.039	0.058	0.056	-4.4%	40.9%
Reported basic EPS ($)	0.097	0.032	0.034	5.4%	-65.1%
Net debt/(cash)*	**(99.6)**	**(130.9)**	**(129.7)**	**-0.9%**	**30.3%**
TPV ($bn)	8.87	10.51	10.51	0.0%	18.6%
Take rate	0.72%	0.79%	0.79%	0.00%	0.07%

Source: Boku, Edison Investment Research. *Excludes restricted cash

Boku reported headline revenue and EBITDA for FY23 in January; revenue was in line whereas EBITDA was slightly lower due to a change in accounting policy for certain leases (shifting from capex to opex so no impact at the operating profit level) and one-off non-contractual bonuses for staff of $0.9m, reflecting overperformance in FY23, awarded after the trading update. Revenue increased 30% y-o-y (33% constant currency). TPV increased 18% y-o-y to $10.5bn (23% constant currency) and the take rate increased to 0.79% from 0.72% a year ago, reflecting the increasing proportion of LPM transactions which are processed on a settlement basis. In FY23, operating expenditure excluding depreciation and amortisation increased 31% y-o-y. The company continued to invest in building out its platform for local payment methods which required increased headcount and costs relating to the expansion of its regulatory footprint. Opex also reflects high wage inflation and the one-off non-contractual bonus. EBITDA increased 27% y-o-y to a margin of 31.2%, marginally below the 31.7% reported in FY22. Normalised operating profit increased 30%, generating an operating margin of 24.7%. The company reported a total of $0.9m in exceptional items at the operating profit level: income from Twilio of $0.1m (now finished) offset by FX losses of $1.0m. The fair value adjustment for Amazon warrants (see below for further explanation) has been moved below operating profit – this was a $53k credit compared to a $3.47m charge last year. Normalised diluted EPS increased 41% y-o-y to 5.6c, slightly below our forecast due to the one-off bonus payment.

Balance sheet and cash flow

Boku ended FY23 with a gross/net cash balance of $129.7m (excluding restricted cash of $21.1m and lease liabilities of $3.1m). As the cash balance very much depends on the timing of payments from carriers and to merchants, Boku measures its average cash balance in a given month as this is more representative of the true cash position. In December 2023, the average daily cash balance was $131.7m, compared to $105.8m in June 2023 and $98.8m in December 2022. The company estimates that c $70.4m of its cash balance is its own cash. Excluding the timing effects of merchant/carrier payments, the company generated operating cash flow before working capital movements of $23.4m, up from $22.0m last year. Boku generated a working capital inflow of $15.9m in FY23 compared to an inflow of $27.9m in FY22, due to the timing effects described above. In FY23, Boku capitalised $5.4m in development costs compared to $4.9m in FY22.

In July 2022, the company announced 12-month £8m share buyback programme. In June 2023, the programme was extended for an additional 12 months with up to 5.25m additional shares worth up to £10.5m added to the programme. As of today, the company has bought back 7.0m shares at a total cost of £9.4m/$11.7m (£1.5m/$1.9m in FY22 and £7.9m/$9.8m in FY23). The purpose of the programme is to hold the stock in treasury to be used to satisfy future share-based payment obligations.

Accounting for the warrants issued to Amazon

As part of the contract signed with Amazon discussed earlier, Boku issued warrants to Amazon giving it the right to acquire up to 11,215,142 Boku shares at an exercise price of 81.2p per share over the seven-year period to 15 September 2029. 747,676 warrants vested on the day the deal was signed (16 September 2022). For every $1m of revenue generated from Amazon, 209,350 warrants will vest, up to a maximum total revenue of $50m. The revenue-linked warrants fall within the scope of revenue recognition and financial instruments, which means that on the day the contract was signed, Boku recognised a contract asset for the fair value of the estimated number of warrants that would vest (5,049,288 warrants worth $1.756m) and a corresponding warrant liability for the same amount. On this date, the Boku share price was 77p.

- The **contract asset** is not subject to revaluation and will be amortised over the seven-year warrant period as the warrants vest. The amortisation offsets revenue as it is treated as non-cash consideration payable to a customer and amounted to $25k in H222 and $108k in FY23. The contract asset will change if the estimate of the number of warrants likely to vest changes – by the end of FY22, the estimate had reduced by 57,202 warrants reducing the contract asset and warrant liability by $19k. By the end of FY23, the number of warrants expected to vest increased by 341,695 to 5,333,781 increasing the contract asset and warrant liability by $359k.
- The **warrant liability** is remeasured at every reporting date with changes in the value taken to the income statement. The fair value per warrant decreased from $1.043 at the end of FY22 to $1.033 at the end of FY23 with the gain of $53k treated as a specific item in the income statement. The current value of the warrant liability implies expected revenue of $25.5m over the seven-year vesting period (up from $23.8m at the end of FY22), which we assume will ramp up as Amazon services start to use Boku.

Outlook and changes to forecasts

We maintain our revenue and EBITDA forecasts for FY24/25 and introduce forecasts for FY26. Our normalised operating profit forecasts reduce slightly in FY24 and FY25 due to higher amortisation of capitalised development costs. Normalised PBT is slightly higher in FY24 due to the benefit of higher interest income estimates, reflecting H223 performance. For reported results, we have factored in a higher tax rate (we were already using 21% for normalised forecasts). The company restated FY22 numbers to reflect the recognition of a deferred tax asset in FY21 resulting from tax losses brought forward. This reduces the level of unused tax losses to $6m at the end of FY23 and therefore we increase our tax rate to 18% in FY24 (reflecting the use of these losses) and 21% thereafter, the standard US tax rate.

Exhibit 12: Changes to forecasts

$m	FY24e Old	FY24e New	Change	y-o-y	FY25e Old	FY25e New	Change	y-o-y	FY26e New	y-o-y
Revenue	95.0	95.0	0.1%	14.9%	105.0	105.0	0.0%	10.4%	115.0	9.6%
Gross profit	91.7	92.7	1.1%	14.9%	101.3	101.8	0.5%	9.9%	111.6	9.6%
Gross margin	96.5%	97.5%	1.0%	0.0%	96.5%	97.0%	0.5%	-0.5%	97.0%	0.0%
EBITDA	31.7	31.7	0.0%	22.8%	36.9	36.9	0.0%	16.6%	43.3	17.3%
EBITDA margin	33.3%	33.3%	0.0%	2.1%	35.2%	35.2%	0.0%	1.9%	37.7%	2.5%
Normalised operating profit	26.1	24.9	-4.4%	22.0%	30.7	29.0	-5.6%	16.3%	34.5	18.9%
Normalised operating margin	27.5%	26.2%	-1.2%	1.5%	29.2%	27.6%	-1.6%	1.4%	30.0%	2.4%
Reported operating profit	18.5	15.4	-16.6%	58.7%	23.1	19.8	-14.3%	28.2%	26.0	31.3%
Reported operating margin	19.5%	16.2%	-3.2%	4.5%	22.0%	18.8%	-3.2%	2.6%	22.6%	3.7%
Normalised PBT	27.0	27.5	2.1%	24.9%	31.6	31.6	0.1%	14.7%	37.1	17.4%
Reported PBT	19.4	18.0	-6.9%	58.2%	24.0	22.4	-6.6%	24.1%	28.6	27.6%
Normalised net income	21.3	21.8	2.1%	24.9%	24.9	25.0	0.1%	14.7%	29.3	17.4%
Reported net income	16.5	14.8	-10.2%	46.7%	20.4	17.7	-13.2%	19.6%	22.6	27.6%
Normalised basic EPS ($)	0.071	0.073	2.1%	24.6%	0.083	0.083	0.1%	13.6%	0.096	16.2%
Normalised diluted EPS ($)	0.069	0.069	0.8%	24.6%	0.080	0.079	-1.2%	13.6%	0.092	16.3%
Reported basic EPS ($)	0.055	0.050	-10.2%	46.4%	0.068	0.059	-13.2%	18.4%	0.074	26.4%
Net debt/(cash)	(166.8)	(175.9)	5.5%	35.6%	(202.3)	(211.1)	4.4%	20.0%	(250.7)	18.8%
TPV ($bn)	11.88	11.88	0.0%	13.0%	13.00	13.00	0.0%	9.5%	14.10	8.5%
Take rate	0.80%	0.80%	0.00%	0.01%	0.81%	0.81%	0.00%	0.01%	0.82%	0.01%

Source: Edison Investment Research

Sensitivities

Our forecasts and the share price will be sensitive to the following factors:

- **Pace of growth from existing merchants:** this will depend on the rate at which merchants complete their roll-out plans, the pace of growth of paid-for digital content, the competitive positioning of major merchants and the adoption of wallets and real-time payments as payment mechanisms.
- **Customer concentration:** customers contributing over 10% of revenues made up 70% of FY23 revenue (four customers). The loss of any one major merchant could have a material impact on revenues and profitability. In addition, some of the contracts between Boku and merchants or carriers have short notice periods.
- **Data protection and robustness of the platform:** any loss of customer data or significant downtime for the platform could negatively affect the company's reputation and lead to additional costs in terms of fines and litigation.
- **Competitive environment:** Boku's platform needs to remain competitive with respect to other third-party DCB providers as well as carriers that connect directly with merchants. The company will also need to stay abreast of changes in the payment market as it expands its service offering to encompass a wider range of local payment methods.
- **Regulation:** changes to money transmission, privacy or anti-money laundering regulations in the countries in which Boku operates may affect revenue generation or increase the cost base.

Valuation

The share price has gained 47% over the last year, in our view partly reflecting upgrades to forecasts but also reflecting better market sentiment. On EV multiples, the company is trading at a small premium to the average of its payment processor peer group for FY24 and FY25. Considering the company's expanding LPM business, we would expect growth to exceed the wider payment processing market as it takes share from card-based payments justifying a premium rating over peers focused on card-based processing.

Exhibit 13: Peer valuation multiples

	Share price	Market cap	EBITDA margin		EV/sales (x)		EV/EBITDA (x)		P/E (x)		FCF yield	
		(m)	CY	NY	CY	NY	CY	NY	CY	NY	CY	NY
Boku	**183.5p**	**545**	**33.3%**	**35.2%**	**5.4**	**4.9**	**17.8**	**15.3**	**33.7**	**29.7**	**7.1%**	**5.3%**
Adyen	€1,457	45,215	48.3%	51.9%	18.4	14.8	38.1	28.5	52.6	41.4	1.8%	2.5%
Block	$80.17	49,360	10.5%	12.1%	1.9	1.7	18.1	14.1	23.9	18.5	4.1%	5.8%
dLocal	$17.80	5,154	32.3%	32.1%	5.2	4.0	16.1	12.5	23.6	18.1	N/A	N/A
FIS	$69.12	39,845	40.7%	41.2%	5.8	5.6	14.2	13.5	14.6	13.0	5.3%	6.0%
Fiserv	$149.63	88,342	45.9%	46.6%	5.6	5.2	12.2	11.1	17.3	14.9	4.9%	5.9%
Global Payments	$129.88	33,130	50.2%	50.8%	5.3	5.0	10.6	9.8	11.2	9.8	8.0%	9.0%
PayPal	$62.85	67,359	23.4%	22.9%	2.0	1.9	8.6	8.2	12.4	11.3	8.4%	9.7%
Worldline	€10.4	2,946	24.3%	24.9%	1.3	1.2	5.2	4.8	5.1	4.6	8.6%	15.8%
Average payment processors			**34.4%**	**35.3%**	**5.7**	**4.9**	**15.4**	**12.8**	**20.1**	**16.5**	**5.9%**	**7.8%**

Source: Edison Investment Research, Refinitiv (as at 18 March)

We have also performed a 10-year reverse discounted cash flow analysis; this uses our forecasts for FY24–26 and then estimates the revenue growth and margins for FY27–33 implied by the current share price. Based on a WACC of 9% and a long-term growth rate of 3%, we estimate that the market is factoring in revenue growth of 4.5% and an average EBITDA margin of 35% over FY27–33. Based on historical growth and the opportunity arising from the expansion into local payment methods, this appears overly conservative. The table below shows the valuation sensitivity to WACC and long-term growth rate (Exhibit 14).

Exhibit 14: Sensitivity of per share valuation (p) to WACC and terminal growth rate

		Terminal growth rate				
		1.0%	**2.0%**	**3.0%**	**4.0%**	**5.0%**
WACC	**7.0%**	204.2	224.9	256.0	307.8	411.4
	7.5%	191.0	207.7	231.7	269.6	337.7
	8.0%	179.7	193.3	212.3	240.9	288.5
	8.5%	169.9	181.1	196.4	218.6	253.4
	9.0%	161.3	170.7	**183.2**	200.8	227.1
	9.5%	153.8	161.7	172.0	186.2	206.6
	10.0%	147.1	153.8	162.5	174.0	190.2
	10.5%	141.1	146.9	154.2	163.7	176.7
	11.0%	135.7	140.7	146.9	154.9	165.5
	11.5%	130.9	135.2	140.5	147.2	156.0

Source: Edison Investment Research

We have also performed a DCF based on the company achieving its target of doubling revenue and reaching EBITDA margins of 50% over a five-year period (revenue CAGR of 14.9% FY22–27) with a fade period for revenue growth after that. This results in a per share value of 251p.

Exhibit 15: Financial summary

$'m	2019	2020	2021	2022	2023	2024e	2025e	2026e
31-December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue	50.1	56.4	62.1	63.8	82.7	95.0	105.0	115.0
Cost of Sales	(5.6)	(4.9)	(1.6)	(1.8)	(2.1)	(2.4)	(3.1)	(3.5)
Gross Profit	44.6	51.5	60.5	62.0	80.7	92.7	101.8	111.6
EBITDA	10.7	15.3	22.9	20.2	25.8	31.7	36.9	43.3
Normalised operating profit	4.5	11.6	18.6	15.8	20.4	24.9	29.0	34.5
Amortisation of acquired intangibles	(1.6)	(2.2)	(1.9)	(1.0)	(2.2)	(1.9)	(1.6)	(0.9)
Exceptionals	(0.3)	(21.1)	0.4	(1.6)	(0.9)	0.0	0.0	0.0
Share-based payments	(6.8)	(4.9)	(6.4)	(5.2)	(7.6)	(7.6)	(7.6)	(7.6)
Reported operating profit	(4.1)	(16.7)	10.6	8.0	9.7	15.4	19.8	26.0
Net Interest	(0.4)	(0.6)	(0.7)	(0.5)	1.6	2.6	2.6	2.6
Joint ventures & associates (post tax)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals	0.0	0.0	0.0	(3.5)	0.1	0.0	0.0	0.0
Profit Before Tax (norm)	4.1	11.0	17.8	15.3	22.1	27.5	31.6	37.1
Profit Before Tax (reported)	(1.3)	(17.3)	9.9	4.1	11.4	18.0	22.4	28.6
Reported tax	1.7	(1.5)	1.9	0.2	(1.3)	(3.2)	(4.7)	(6.0)
Profit After Tax (norm)	3.2	8.8	14.3	12.2	17.4	21.8	25.0	29.3
Profit After Tax (reported)	0.4	(18.8)	11.8	4.3	10.1	14.8	17.7	22.6
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations	0.0	0.0	(5.5)	24.6	0.0	0.0	0.0	0.0
Net income (normalised)	3.2	8.8	14.3	12.2	17.4	21.8	25.0	29.3
Net income (reported)	0.4	(18.8)	6.3	28.9	10.1	14.8	17.7	22.6
Basic ave. number of shares outstanding (m)	246.8	273.8	294.0	298.3	297.9	298.6	301.6	304.6
EPS - basic normalised ($)	0.01	0.03	0.05	0.04	0.06	0.07	0.08	0.10
EPS - diluted normalised ($)	0.01	0.03	0.05	0.04	0.06	0.07	0.08	0.09
EPS - basic reported ($)	0.00	(0.07)	0.02	0.10	0.03	0.05	0.06	0.07
Dividend ($)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)	42.2	12.5	10.1	2.7	29.7	14.9	10.4	9.6
Gross Margin (%)	88.9	91.3	97.5	97.2	97.5	97.5	97.0	97.0
EBITDA Margin (%)	21.3	27.1	36.9	31.7	31.2	33.3	35.2	37.7
Normalised Operating Margin	9.0	20.5	30.0	24.7	24.7	26.2	27.6	30.0
BALANCE SHEET								
Fixed Assets	52.2	69.8	84.4	77.2	77.3	78.1	77.5	77.1
Intangible Assets	46.8	65.6	63.1	56.2	56.6	57.5	56.9	56.4
Tangible Assets	3.5	3.8	5.3	3.9	3.5	3.4	3.4	3.5
Investments & other	1.8	0.5	16.0	17.0	17.1	17.1	17.1	17.1
Current Assets	89.2	155.2	145.3	212.8	299.5	343.6	395.8	452.6
Stocks	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors	53.6	92.5	82.9	90.5	148.5	146.4	163.5	180.6
Cash & cash equivalents	34.7	61.3	56.7	99.6	129.7	175.9	211.1	250.7
Other	0.9	1.4	5.8	22.8	21.2	21.2	21.2	21.2
Current Liabilities	(81.8)	(139.7)	(122.1)	(157.8)	(234.9)	(257.4)	(283.8)	(310.0)
Creditors	(78.0)	(136.8)	(119.6)	(156.3)	(233.0)	(255.5)	(281.9)	(308.1)
Tax and social security	0.0	0.0	0.0	(0.2)	(0.5)	(0.5)	(0.5)	(0.5)
Short term borrowings	(2.1)	(1.4)	(1.1)	0.0	0.0	0.0	0.0	0.0
Other	(1.7)	(1.4)	(1.3)	(1.3)	(1.4)	(1.4)	(1.4)	(1.4)
Long Term Liabilities	(2.6)	(13.6)	(12.3)	(8.7)	(8.4)	(8.4)	(8.4)	(8.4)
Long term borrowings	0.0	(10.8)	(6.7)	0.0	0.0	0.0	0.0	0.0
Other long term liabilities	(2.6)	(2.8)	(5.7)	(8.7)	(8.4)	(8.4)	(8.4)	(8.4)
Net Assets	57.0	71.8	95.3	123.6	133.5	155.9	181.2	211.4
Minority interests	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity	57.0	71.8	95.3	123.6	133.5	155.9	181.2	211.4
CASH FLOW								
Op Cash Flow before WC and tax	7.4	15.3	22.9	20.2	25.8	31.7	36.9	43.3
Working capital	3.0	20.1	(7.1)	27.9	17.9	24.5	9.3	9.1
Exceptional & other	(1.3)	(3.8)	(3.5)	1.8	(2.7)	0.0	0.0	0.0
Tax	(0.1)	(0.3)	(0.4)	(0.3)	(0.3)	(3.2)	(4.7)	(6.0)
Net operating cash flow	9.0	31.3	11.9	49.7	40.6	53.0	41.5	46.4
Capex	(2.1)	(3.4)	(5.8)	(5.3)	(5.9)	(8.1)	(7.7)	(8.1)
Acquisitions/disposals	(0.7)	(36.6)	0.0	26.5	5.6	0.0	0.0	0.0
Net interest	(0.4)	(1.0)	(0.6)	(0.2)	1.6	2.6	2.6	2.6
Equity financing	0.6	26.2	1.1	(1.4)	(7.1)	0.0	0.0	0.0
Dividends	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other	(1.5)	(2.6)	(6.1)	(12.7)	(5.6)	(1.3)	(1.3)	(1.3)
Net Cash Flow	4.857	13.8	0.5	56.6	29.3	46.2	35.1	39.7
Opening net debt/(cash)	(28.9)	(32.6)	(49.0)	(48.8)	(99.6)	(129.7)	(175.9)	(211.1)
FX	(1.1)	1.3	(0.6)	(5.6)	0.9	0.0	0.0	0.0
Other non-cash movements	(0.0)	1.2	(0.1)	(0.3)	0.0	0.0	0.0	0.0
Closing net debt/(cash)	(32.6)	(49.0)	(48.8)	(99.6)	(129.7)	(175.9)	(211.1)	(250.7)

Source: Boku, Edison Investment Research

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Revenue by geography

Management team

CEO: Stuart Neal

Stuart was appointed CEO on 1 January 2024. He was previously CFO from 2012–14 and 2017–19 and saw the company through its IPO, before being appointed chief business officer of Boku's Identity division, where he returned that business to growth, culminating in its successful disposal to Twilio in 2022. Before that, he was chief commercial officer at Vocalink PaybyBank app (acquired by Mastercard), building distribution channels and creating merchant demand. He was also commercial director at Barclaycard, where he oversaw the roll-out of contactless payments to merchants across the UK market. He previously held senior commercial and finance positions at several blue-chip companies including GlaxoSmithKline, Worldcom and Virgin Media.

CFO: Keith Butcher

Until his appointment as CFO in October 2019, Keith was an independent non-executive director and chairman of Boku's Audit Committee from the company's admission to AIM in 2017. He has had considerable experience as a listed company CFO and of online payments businesses, including six years as CFO of AIM-quoted online payments company DataCash Group during its period of rapid growth and ultimate sale to Mastercard. More recently, he was CFO of LSE-listed payments company Paysafe Group (formerly Optimal Payments).

Non-executive chairman: Dr Richard Hargreaves

Richard joined the board as a non-executive director prior to the IPO and was appointed non-executive chairman on 1 June 2022. Richard co-founded Endeavour Ventures in 2006 and has been investing in and advising companies for over 30 years. He began his career at 3i where he spent 10 years before starting Baronsmead and launched one of the first VCTs – Baronsmead VCT (sold to Friends Ivory & Sime in 1995, later becoming ISIS Equity Partners). Richard is a former chairman of the BVCA and has significant experience as a non-executive director on public and private boards.

Principal shareholders	(%)
Octopus Investments	13.2
Vitruvian Partners LLP	9.0
Blackrock Investment Management	8.0
Capital Research Global Investors	6.9
Boku directors and related parties	6.6
abrdn	4.8
Danske Capital Management	3.6
Janus Henderson Investors	3.1

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