

BANGO

SOFTWARE AND COMPUTER SERVICES

22 June 2020

BGO.L

175p

Market Cap: £129.9m

SHARE PRICE (p)



12m high/low 180p/62p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£1.6m (at 31/12/19)
Enterprise value	£126.4m
Index/market	AIM
Next news	H1 20 results, Sep-20
Shares in Issue (m)	74.2
Executive Chair	Ray Anderson
Chief Executive	Paul Larbey
Finance Director	Carolyn Rand

COMPANY DESCRIPTION

Bango links global merchants with payment partners from Africa to the Americas.

www.bango.com

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Thoughts on M&A in the DCB Sector

Boku Inc has announced the intended acquisition of Fortumo Holdings. In our view the deal has strong industrial logic for Boku, but highlights the differences in strategy compared to DCB competitor Bango. Bango is more focussed on the data and marketing opportunities that arise from mobile payments, whereas Boku highlights broad coverage and low cost alongside its push into mobile identity.

- Acquiring Fortumo a strategically sensible move for Boku:** Fortumo is a small but profitable DCB business based in Estonia. Its operations are focussed on delivering DCB and PSMS solutions to SME merchants. It also provides some billing routes to Google, Spotify and Tencent. In addition to removing a small competitor from the marketplace, acquiring Fortumo delivers additional routes and customers to Boku, with the prospect of cost savings from using Estonia as a development hub. Fortumo's focus on the SME segment is also different to Boku (and Bango), both of which focus on larger merchants.
- Bango and Boku have become very different businesses:** Whilst both have DCB at their core, we believe that Bango and Boku are increasingly divergent businesses. We would highlight: 1) Having been born through merging six carrier billing companies over twelve years, Boku has sought growth by consolidating smaller players through acquisitions 2) Boku's core strategy appears to be becoming the scale player to bring down overall cost per transaction (or per \$ of End User Spend). Bango's strategy is to drive growth for its customers, by leveraging its platform investment and the associated data the platform gathers, which increases marketing effectiveness and therefore payment volumes. More payment volume generates more payment insight data, which leads to more payments - the Bango "virtuous circle" 3) In order to drive growth beyond payment processing, Bango has therefore invested in core technology for data monetisation – and launched Bango Audiences. Boku has invested in Identification services, its point of differentiation again being scale and cost, and the increasing focus on services related to Mobile Carriers.
- Fortumo deal further demonstrates the differences between Boku and Bango:** Boku and Bango are leading players in DCB, but in our view that is where the similarities end. The Fortumo acquisition further highlights the differences in the two businesses and while the deal aligns to the Boku coverage and cost strategy, by the same token it is not a deal that would have made strategic sense to Bango management.

FYE DEC (£M)	2016	2017	2018	2019	2020E
EUS (Non-GAAP)	132.3	271.4	558.2	1,093.4	2,287.3
Revenue	2.6	4.2	6.6	9.3	11.7
Adj EBITDA	-2.4	-1.6	-0.9	0.4	3.0
Fully adj PBT	-4.1	-3.6	-2.9	-2.0	0.8
Fully adj EPS	-6.3	-5.5	-4.2	-2.9	1.0
EV/EBITDA	-52.2x	-80.6x	-145.8x	281.3x	42.4x
PER	N/A	N/A	N/A	N/A	167.6x

Source: Company Information and Progressive Equity Research estimates

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

Financial Summary: Bango

Year end: December (£m unless shown)

	2016	2017	2018	2019	2020E
PROFIT & LOSS					
EUS (Non-GAAP)	132.3	271.4	558.2	1,093.4	2,287.3
Revenue	2.6	4.2	6.6	9.3	11.7
Adj EBITDA	(2.4)	(1.6)	(0.9)	0.4	3.0
Reported PBT	(4.7)	(3.9)	(3.6)	(3.1)	0.4
Fully adj PBT	(4.1)	(3.6)	(2.9)	(2.0)	0.8
NOPAT	(2.9)	(2.0)	(1.8)	(0.9)	2.3
Reported EPS	(6.8)	(5.3)	(4.0)	(3.5)	2.0
Fully adj EPS	(6.3)	(5.5)	(4.2)	(2.9)	1.0
Dividend per share	0.0	0.0	0.0	0.0	0.0
CASH FLOW & BALANCE SHEET					
Operating cash flow	(2.6)	(0.7)	(2.3)	1.0	0.0
Free Cash flow	(6.0)	(2.2)	(4.4)	(1.2)	(0.6)
FCF per share	(9.2)	(3.4)	(6.3)	(1.7)	(0.9)
Acquisitions	0.0	0.0	(1.8)	0.0	(0.4)
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.1	1.2	5.2	0.3	2.5
Currency effects	(0.1)	0.0	0.0	0.0	0.0
Net cash flow	(6.2)	(0.8)	(1.0)	(1.1)	1.4
Cash & equivalents	5.7	4.8	3.8	2.7	4.1
Net (Debt)/Cash	5.6	4.6	3.5	1.6	3.0
NAV AND RETURNS					
Net asset value	12.4	10.7	16.0	14.7	15.0
NAV/share	19.1	16.2	22.9	21.1	20.7
Net Tangible Asset Value	6.3	4.6	4.0	2.5	7.8
NTAV/share	9.7	7.1	5.8	3.6	10.6
Average equity	14.1	11.5	13.3	15.3	14.9
Post-tax ROE (%)	(31.2%)	(30.3%)	(20.8%)	(15.8%)	9.7%
METRICS					
EUS growth		105.1%	105.7%	95.9%	109.2%
Revenue growth		58.2%	59.4%	40.6%	25.8%
Adj EBITDA growth		(35.3%)	(44.7%)	(151.8%)	562.8%
Adj PBT growth		(12.0%)	(19.6%)	(29.3%)	(136.9%)
Adj EPS growth		(13.8%)	(23.9%)	(29.3%)	(135.6%)
Dividend growth		N/A	N/A	N/A	N/A
Margin on EUS		1.5%	1.2%	0.9%	0.5%
VALUATION					
EV/Sales	48.2	30.4	19.1	13.6	10.8
EV/EBITDA	-52.2	-80.6	-145.8	281.3	42.4
EV/NOPAT	-43.2	-62.7	-69.8	-142.3	55.1
PER	N/A	N/A	N/A	N/A	167.6
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(5.3%)	(1.9%)	(3.6%)	(1.0%)	(0.5%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

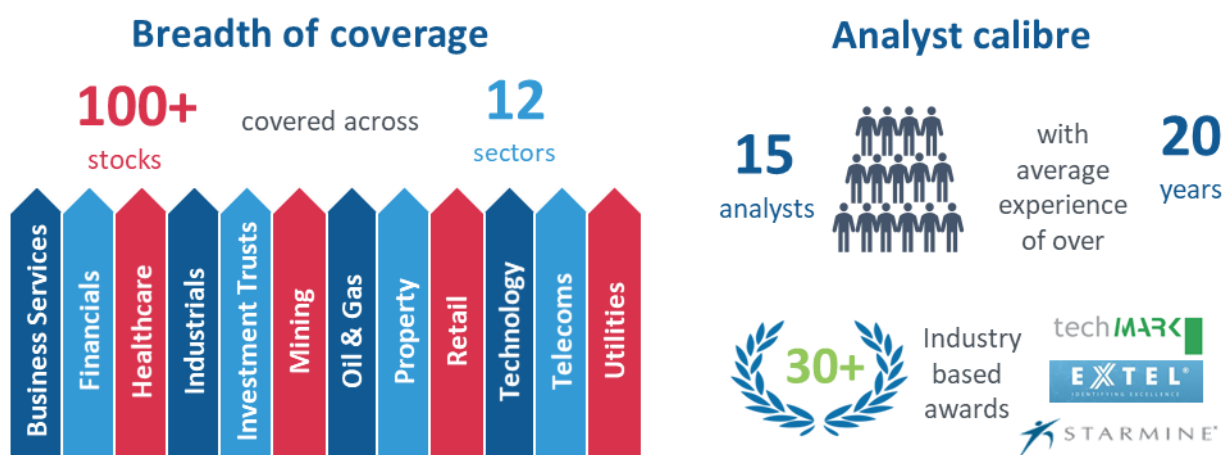
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