

BANGO

SOFTWARE AND COMPUTER SERVICES

16 June 2020

BGO.L

156p

Market Cap: £115.8m

SHARE PRICE (p)



12m high/low 164p/62p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£1.6m (at 31/12/19)
Enterprise value	£112.3m
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

BANGO IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

Blaine Tatum

+44 (0) 20 7781 5309

btatum@progressive-research.com



Gareth Evans

+44 (0) 20 7781 5301

gevans@progressive-research.com



www.progressive-research.com

Two tech giants turn to Bango for DCB

Bango has announced that it has enabled Direct Carrier Billing (“DCB”) for Japanese Mobile Network Operator (“MNO”) SoftBank on Amazon.co.jp. The release contains no financial details as to the value for Bango and we make no changes to forecasts. Nevertheless, enabling DCB for SoftBank allows Bango to address 43m new subscriptions and with the group already supporting DCB in Amazon Japan for NTT DoCoMo and KDDI (#1 and #2 Japanese MNOs), gives access to over 90% of the Japanese market. Furthermore, we expect that gaining access to almost the entire Japanese mobile market via the leading e-commerce platform (Amazon) will generate increased levels of customer insight data, in addition to an anticipated uplift in payment volumes.

- Enabling DCB for SoftBank:** Bango launched DCB with Amazon Japan in June 2017, giving customers of KDDI (au) and NTT DoCoMo the ability to instantly and securely purchase physical goods from the Amazon Japan online store and charge the cost to their mobile phone bill. Bango has now enabled DCB for the #3 player SoftBank.
- Significant mobile market:** Japan closed March 2020 with over 180m mobile subscriptions (source TCA). At 144%, Japanese mobile penetration is amongst the highest in the world. NTT DoCoMo is the market leader with 80m subscribers, followed by KDDI (au) with 59m. SoftBank is the third player, with 43m subscriptions. Allowing for virtual MNOs, we estimate Bango now has access to over 90% of the Japanese market.
- A material e-commerce opportunity:** According to recent research from JPMorgan (E-commerce Payments Trends: Japan), the Japanese business to consumer e-commerce market is worth \$150bn annually, with mobile commerce contributing around a quarter of the total spend.
- Deepening the relationship with Amazon Japan...:** Amazon Japan is the market leader in Japanese e-commerce, reporting FY 2019A sales of US\$16bn. The Softbank announcement therefore represents a further deepening of this key relationship.
- ...and the start of a new key relationship:** Outside of the Japanese mobile business, SoftBank in our view is a backer of cornerstone technologies of global significance. The announcement therefore heralds the start of a new Bango relationship with another global tech titan.

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	-46.3x	-71.6x	-129.5x	249.9x	37.7x
PER	N/A	N/A	N/A	N/A	149.4x

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	42.8	27.0	17.0	12.1	9.6
EV/EBITDA	-46.3	-71.6	-129.5	249.9	37.7
EV/NOPAT	-38.4	-55.7	-62.0	-126.4	49.0
PER	N/A	N/A	N/A	N/A	149.4
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(5.9%)	(2.2%)	(4.0%)	(1.1%)	(0.6%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

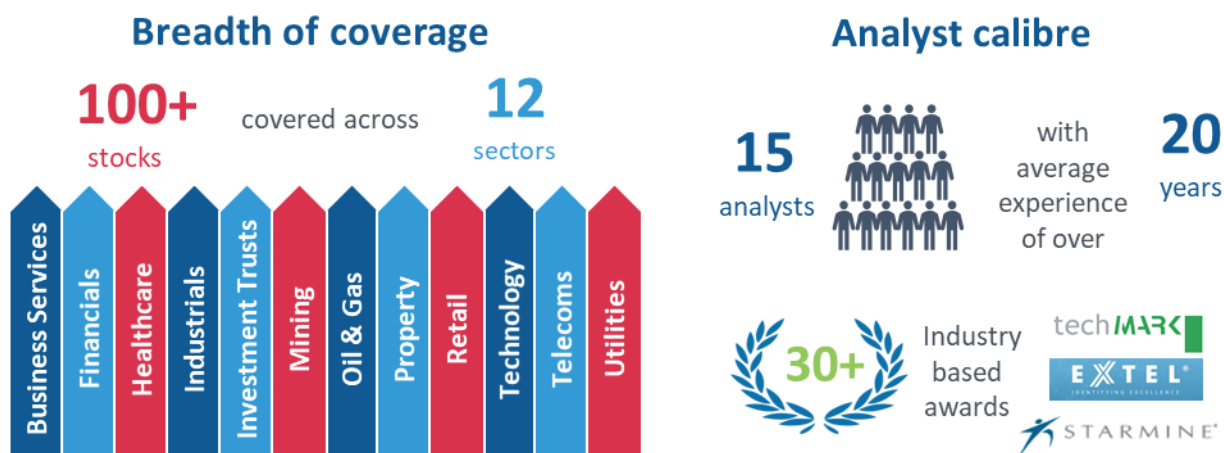
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To arrange a meeting with the management team, or for further information about Progressive, please contact:

Emily Ritchie
+44 (0) 20 7781 5311
eritchie@progressive-research.com