

BANGO

SOFTWARE AND COMPUTER SERVICES

15 November 2019

BGO.L

134p

Market Cap: £94.2m

SHARE PRICE (p)



12m high/low 151p/77p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£3.5m
Enterprise value	£90.6m
Index/market	AIM
Next news	Trading Update, Dec-19
Shares in Issue (m)	70.5
Chairman	David Sear
Chief Executive	Ray Anderson
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

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DCB for YouTube in the USA

Bango has announced the launch of Direct Carrier Billing (“DCB”) payment services for Google’s YouTube TV Service, with the initial launch via a “leading” but unnamed US Mobile Network Operator (“MNO”). With the ongoing growth in US Over The Top (“OTT”) video services continuing to cannibalise the Cable TV operators, we believe DCB for YouTube TV is a strong offering in a large market. The release is light on detail as to the potential value to Bango, and we make no revisions to forecasts. Nevertheless, the launch represents a further win in an area of strategic focus for the group. It also confirms the integration of a major new merchant service into the Bango Platform.

- YouTube TV is a strong offering:** YouTube TV is a complete streaming media service, which offers consumers a wide range of TV news, sport and entertainment channels alongside on-demand video streaming. It is a multi-platform service, and is available via any internet-enabled device, including both Android and Apple devices. For the US pricing of \$49.99 a month, customers get a full cable-free TV package, including access to 70+ major broadcast and popular cable networks and unlimited cloud-based storage for offline access to their favourite content. YouTube TV has over 1m subscribers (source Bloomberg). With the backing of Google and offering customers potentially \$600 annual savings on their TV bill (source Google), we believe YouTube TV to be a strong offering in the OTT video space and one that will prove attractive to other MNOs – particularly those wishing to highlight the benefits of 5G connectivity.
- A large market opportunity:** c44% of the c128m households in the US currently have a CableTV subscription, with average monthly spend of \$76 (source Pars Research). The industry has been plagued by disconnections - so-called “cord-cutting” as consumer preferences switch to OTT services such as YouTube TV, Netflix, Hulu, AppleTV+ and Disney+. US OTT video revenues are estimated at over \$16bn annually (source PWC), with OTT service providers continuing to report strong growth. To quantify, the US OTT sector saw subscriber growth of around 600k in Q3 2019 vs a 2m loss for traditional PayTV providers (source Kagan).
- A further win in an area of strategic focus:** Bango recently announced that OTT media providers were a key area of focus for growing End User Spend (“EUS”). With DCB for YouTube TV, Bango gains further traction in the streaming market. Note, Bango has existing relationships with Amazon Prime Video, Netflix and Spotify.

FYE DEC (£M)	2016	2017	2018	2019E	2020E
EUS (Non-GAAP)	132.3	271.4	558.2	1,237.5	2,475.0
Revenue	2.6	4.2	6.6	11.3	16.8
Adj EBITDA	-2.4	-1.6	-0.9	2.5	5.0
Fully adj PBT	-4.1	-3.6	-2.9	0.1	2.6
Fully adj EPS	-6.3	-5.5	-4.2	0.2	3.7
EV/EBITDA	-37.4x	-57.8x	-104.5x	37.0x	18.3x
PER	N/A	N/A	N/A	641.7x	36.1x

Source: Company Information and Progressive Equity Research estimates

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Financial Summary: Bango

Year end: December (£m unless shown)

	2016	2017	2018	2019E	2020E
PROFIT & LOSS					
EUS (Non-GAAP)	132.3	271.4	558.2	1,237.5	2,475.0
Revenue	2.6	4.2	6.6	11.3	16.8
Adj EBITDA	(2.4)	(1.6)	(0.9)	2.5	5.0
Reported PBT	(4.7)	(3.9)	(3.6)	(0.2)	2.3
Fully adj PBT	(4.1)	(3.6)	(2.9)	0.1	2.6
NOPAT	(2.9)	(2.0)	(1.8)	1.8	4.2
Reported EPS	(6.8)	(5.3)	(4.0)	0.2	3.7
Fully adj EPS	(6.3)	(5.5)	(4.2)	0.2	3.7
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)	3.4	2.8
Free Cash flow	(6.0)	(2.2)	(4.4)	1.7	1.6
FCF per share	(9.2)	(3.4)	(6.3)	2.4	2.3
Acquisitions	0.0	0.0	(1.8)	(0.4)	(0.4)
Disposals	0.0	0.0	0.0	0.0	0.0
Shares issued	0.1	1.2	5.2	0.0	0.0
Currency effects	(0.1)	0.0	0.0	0.0	0.0
Net cash flow	(6.2)	(0.8)	(1.1)	1.3	1.2
Cash & equivalents	5.7	4.8	3.8	5.0	6.2
Net (Debt)/Cash	5.6	4.6	3.5	4.8	6.0
NAV AND RETURNS					
Net asset value	12.4	10.7	16.0	11.8	18.8
NAV/share	19.1	16.2	22.9	16.8	27.0
Net Tangible Asset Value	6.3	4.6	4.0	3.6	8.6
NTAV/share	9.7	7.1	5.8	5.1	12.3
Average equity	14.1	11.5	13.3	13.9	15.3
Post-tax ROE (%)	(31.2%)	(30.3%)	(20.8%)	1.0%	16.9%
METRICS					
EUS growth	196.1%	105.1%	105.7%	121.7%	100.0%
Revenue growth	101.8%	58.2%	59.4%	70.0%	49.2%
Adj EBITDA growth	(22.9%)	(35.3%)	(44.7%)	(382.6%)	102.6%
Adj PBT growth	(18.6%)	(12.0%)	(19.6%)	(105.0%)	1678.9%
Adj EPS growth	(33.0%)	(13.8%)	(23.9%)	(105.0%)	1678.9%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Margin on EUS	2.0%	1.5%	1.2%	0.9%	0.7%
VALUATION					
EV/Sales	34.5	21.8	13.7	8.1	5.4
EV/EBITDA	-37.4	-57.8	-104.5	37.0	18.3
EV/NOPAT	-31.0	-44.9	-50.1	51.8	21.7
PER	N/A	N/A	N/A	641.7	36.1
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(6.9%)	(2.5%)	(4.7%)	1.8%	1.8%

Source: Company information and Progressive Equity Research estimates

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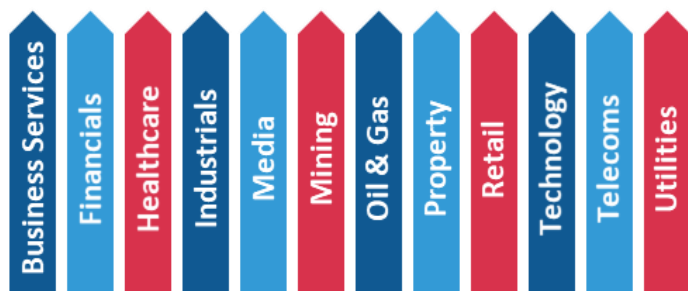
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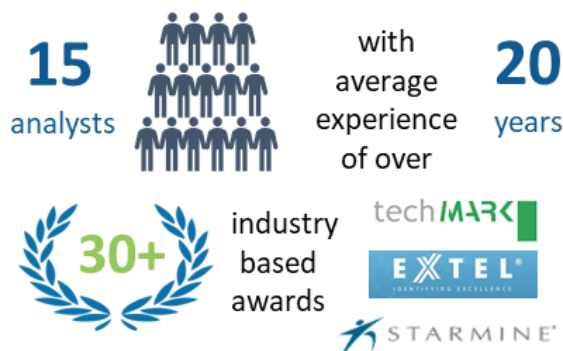
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