

# BANGO

## SOFTWARE AND COMPUTER SERVICES

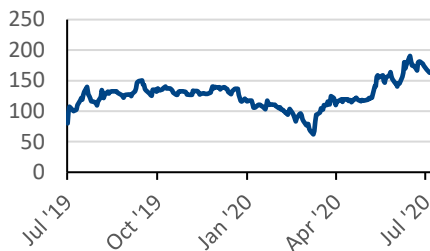
14 July 2020

### BGO.L

163p

Market Cap: £121m

#### SHARE PRICE (p)



12m high/low 191p/62p

Source: LSE Data

#### KEY DATA

Net (Debt)/Cash	£1.6m (at 31/12/19)
Enterprise value	£117.5m
Index/market	AIM
Next news	Interims, 15/09/2020
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.

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BANGO IS A RESEARCH CLIENT OF PROGRESSIVE

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## Record Revenue Growth, Momentum Strong

Bango's H1 20 trading update in our view delivers a number of confident messages. Growth in the key End User Spend ("EUS") metric remains robust, and the group delivered record revenue growth and EBITDA during the period. The group's financial position saw a solid improvement in the first half. A closing gross cash position of £4.2m represents a £1.5m increase on the FY 19A level and demonstrates the company is now generating cash from its operations. H1 20 was a busy period for Bango, with a number of new contracts signed in both the payments business and Bango Marketplace, establishing a good base for growth in the second half and into 2021. We make no changes to estimates following the update but believe that Bango continues to demonstrate strong momentum and that the group remains well placed to deliver its FY 20E targets.

- Robust growth in EUS:** EUS for the period was confirmed to exceed £740m, a c60% improvement on H1 19A. This was achieved without a material impact from the Softbank Japan route which launched late in the period, and with the benefit of big EUS kickers like Amazon Prime Day and Black Friday still to come in the second half of the year. The update also confirms management's view that the strong operational momentum delivered in H1 20 (see below) will enable the group to deliver a c£2bn FY 20E EUS outcome.
- Record revenue growth:** Revenue grew by an impressive 50% YoY during the period to a record level for the platform business of £4.8m.
- Record EBITDA:** The group expects to report a record adjusted EBITDA for H1 20. The announcement notes that EBITDA in the last six months has exceeded the £0.45m level of FY 19A.
- Improved financial position:** The Bango Platform was cash generative in H1 20, and the group closed the period with a gross cash balance of £4.2m. Note that the figure includes the net proceeds from the NHN transaction and payment of the Audiens earnout and transaction costs. The additional £6.2m invested by NHN into Audiens is not included as Bango now owns 40% of that business.
- Strong operational momentum gives confidence in the FY 20E outcome:** During H1 20 Bango: 1) Signed a three-year platform deal with a leading global telecoms provider, worth at least £1.5m. 2) Announced the launch of a payment option for Softbank in Amazon.co.jp and 3) Launched new Google play routes in three continents.

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	-48.5x	-74.9x	-135.5x	261.5x	39.5x
PER	N/A	N/A	N/A	N/A	156.1x

Source: Company Information and Progressive Equity Research estimates

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

## Strong operational momentum in H1 20

We believe Bango demonstrated strong operational momentum during H1 20 and in our view the group has established a solid base for growth in the second half and into 2021. Our view is based upon:

- The announcement of the launch of a payment option for Softbank in Amazon.co.jp. Bango now powers carrier billing for Amazon.co.jp across Japan's three largest operators: SoftBank, NTT Docomo and KDDI (au), reaching over 100 million consumers.
- The signing a three-year platform deal with a leading global telecoms provider, worth at least £1.5m.
- The launch of new Google play routes in three continents.
- Confirmation that deploying Bango payment optimization technology has enabled du, the leading UAE mobile operator, to grow its active carrier billing customer base. Within two weeks of launching a marketing campaign to users, 20% of the targeted segment had re-engaged and made at least one purchase with carrier billing.

Furthermore, with over 1,000 developers now registered on Bango Marketplace, the product continues to gain industry acceptance emphasised by two large publishers who have started to use Bango Audiences across all their various titles.

## Bango Marketplace is gaining commercial traction

We believe the Bango Marketplace product demonstrated good commercial progress during H1 20. Over 1,000 app developers are now registered and engaged with Bango Marketplace, compared to around 200 at the end of 2019. Furthermore, the platform now offers payment audiences in 7 out of the top 10 countries, measured by app store revenue.

The release notes that new partnerships were signed with top app developers indicating success with larger developers in the market.

## NHN deal completed

In April 2020 Bango announced the expansion of its strategic relationship with NHN Corp, the Korean big data giant. To recap, NHN invested £6.5m to take a majority interest in the Audiens business, owned by Bango. For its investment NHN gained a 60% stake in Bango Deep, the Bango subsidiary which owned the Audiens Customer Data Platform (CDP). In addition, NHN injected its data science technology into Audiens to grow it into a world leading CDP.

NHN also subscribed for 3.5m new ordinary shares in Bango – 4.7% of the group's existing ordinary share capital at that time. Bango paid approximately £4m for Audiens. NHN paid £6.5m for 60% of that business.

As we noted in our accompanying research at the time<sup>1</sup>, we viewed the transaction as a strategically sensible move since it generated a material uplift in the valuation of Audiens, whilst supercharging the data business and allowing Bango to retain access to a growing business and to a significantly expanded technology base.

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<sup>1</sup> Bango: Supercharging customer data with an expanded Audiens. Progressive Equity Research 03/04/20

**Financial Summary: Bango**

Year end: December (£m unless shown)

	2016	2017	2018	2019	2020E
<b>PROFIT &amp; LOSS</b>					
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
<b>CASH FLOW &amp; BALANCE SHEET</b>					
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
<b>NAV AND RETURNS</b>					
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%
<b>METRICS</b>					
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%
<b>VALUATION</b>					
EV/Sales	44.8	28.3	17.7	12.6	10.0
EV/EBITDA	-48.5	-74.9	-135.5	261.5	39.5
EV/NOPAT	-40.2	-58.3	-64.9	-132.2	51.2
PER	N/A	N/A	N/A	N/A	156.1
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	(5.7%)	(2.1%)	(3.8%)	(1.0%)	(0.5%)

Source: Company information and Progressive Equity Research estimates

**Disclaimers and Disclosures**

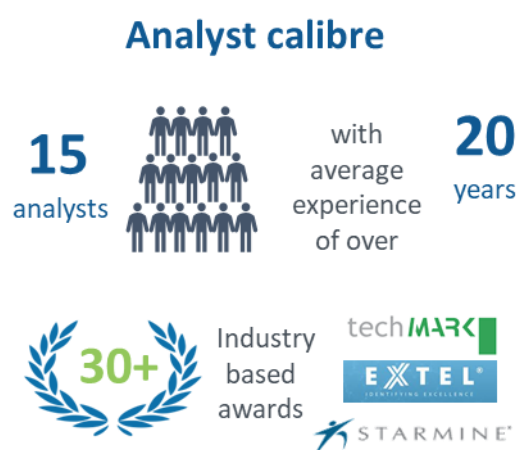
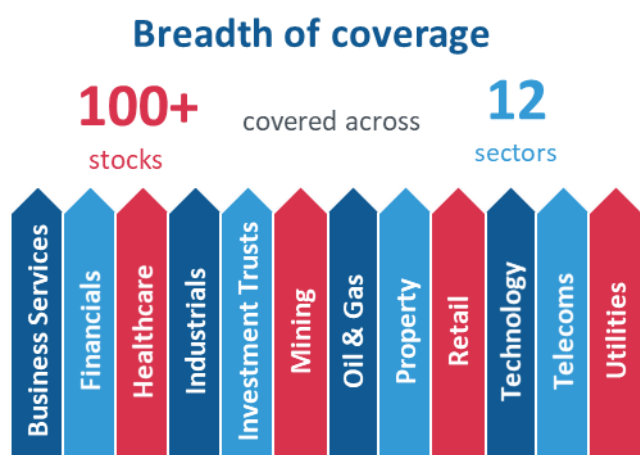
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