

BANGO

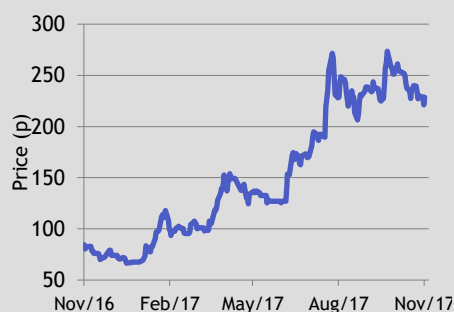
SOFTWARE AND COMPUTER SERVICES

BGO.L

221p

Market Cap: £146.6m

SHARE PRICE (p)



12m high/low

274p/67p

Source: LSE Data

KEY INFORMATION

Enterprise value	£141.0m
Index/market	FTSE AIM
Next news	Trading Update, Jan-18
Gearing	N/A
Interest cover	N/A

 BANGO IS A RESEARCH CLIENT OF
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Two pieces of positive news

Bango has today released two pieces of positive news flow. The Bango Platform (BP) is being deployed in South Korea, increasing the number of payment opportunities for digital content, physical goods and Internet of Things (IoT) services in this key Asian market. Secondly, management has confirmed the achievement of run-rate EBITDA breakeven. Having upgraded in September-17, we leave forecasts unchanged at this stage. However, today's announcement gives further confidence in the group's ability to meet our expectation of full-year EBITDA breakeven in 2018E.

- Expansion into Korea:** Bango is to deploy the BP in South Korea to support the growth ambitions of key partners. Following on from the June-17 launch with Amazon in Japan, management believe there are a number of similarities between the Japanese and Korean online commerce markets. Today's announcement confirms that in Korea, the BP will facilitate payment for digital content, physical goods and IoT services, such as smart-home devices. South Korea is a model market for technological development and innovation. Mobile penetration is around 120% (51m population, 61m mobile subscribers¹) and Direct Carrier Billing (DCB) is well established, with total mobile-commerce spending estimated at over US\$4.6bn².
- Leveraging investment in the platform:** We believe expansion into Korea and the IoT space is being achieved at low incremental cost, further validating the 18 years of investment and continual development of the BP. Increasing scale over a largely fixed cost base remains a key driver of Bango's improved financial performance in our view.
- EBITDA breakeven achieved:** Management has confirmed that the business turned EBITDA positive on a run-rate basis entering November 2017; we believe this will be widely welcomed as evidence of the group delivering on the promise of strong operational leverage, with much more yet to come. We leave forecasts unchanged at this stage and continue to expect an overall H2 17E EBITDA loss. Having upgraded in September-17, today's announcement supports our FY17E estimates, which we will revisit in due course.

This news reaffirms the success of the Amazon Japan relationship in our view. Through its strong progress in physical goods and opening-up of IoT opportunities, this app store DCB leader is confirming that its platform technology is much more than a basic processing system, offering exciting prospects for sustained, profitable growth as people become ever more connected.

YEAR TO DECEMBER	2014A	2015A	2016A	2017E	2018E
End user spend	25.2	44.7	132.3	266.0	509.4
Revenue	5.1	1.3	2.6	3.7	6.7
Adjusted EBITDA	-3.7	-3.1	-2.4	-2.0	1.0
Adjusted PBT	-5.4	-5.0	-4.1	-4.0	-1.0
Adjusted EPS (p)	-8.5	-9.5	-6.3	-6.1	-1.5
EV/ Adj. EBITDA	-38.3x	-44.8x	-58.2x	-72.2x	143.6x
P/E	-25.9x	-23.4x	-34.9x	-36.2x	-145.0x

Source: Company Information and Progressive Equity Research estimates

SUMMARY FINANCIALS

Profit & Loss	FY-13A	FY-14A	FY-15A	FY-16A	FY-17E	FY18E
End-user Spend (non-GAAP)	15.6	25.2	44.7	132.3	266.0	509.4
Revenue	8.8	5.1	1.3	2.6	3.7	6.7
Gross Profit	2.1	1.3	1.3	2.6	3.7	6.7
Adj EBITDA	(3.0)	(3.7)	(3.1)	(2.4)	(2.0)	1.0
Reported PBT	(4.9)	(5.4)	(5.0)	(4.7)	(4.2)	(1.2)
PBT before exceptionals and AAG	(4.9)	(5.4)	(5.0)	(4.1)	(4.0)	(1.0)
Fully adj PBT	(4.9)	(5.4)	(5.0)	(4.1)	(4.0)	(1.0)
NOPAT	(2.5)	(3.0)	1.0	(2.9)	(2.5)	0.4
Reported EPS (p)	(10.5)	(11)	(9.0)	(6.8)	(6.0)	(1.4)
EPS before exceptionals and AAG (p)	(7.9)	(8.3)	2.6	(6.3)	(6.1)	(1.5)
Fully adj EPS (p)	(8.2)	(8.5)	(9.5)	(6.3)	(6.1)	(1.5)
Dividend per share (p)	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow & Balance sheet	FY-13A	FY-14A	FY-15A	FY-16A	FY-17E	FY18E
Operating cash flow	(2.8)	(3.4)	(3.5)	(2.6)	(1.9)	2.9
Free Cash flow £m	(4.0)	(4.2)	(4.1)	(6.0)	(2.8)	2.0
FCF per share p	(8.9)	(8.9)	(7.8)	(9.2)	(4.3)	3.0
Acquisitions	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0
Shares issued	6.6	5.7	10.5	0.1	0.0	0.0
Net cash flow	2.9	1.1	5.9	(6.2)	(2.7)	2.1
Overdrafts / borrowings	(0.4)	(0.6)	(0.4)	(0.1)	(0.2)	(0.3)
Cash & equivalents	5.1	6.3	12.1	5.7	3.0	5.0
Net (Debt)/Cash	4.7	5.7	11.8	5.6	2.8	4.8
NAV and returns	FY-13A	FY-14A	FY-15A	FY-16A	FY-17E	FY18E
Net asset value	8.9	9.8	15.9	12.4	10.6	9.7
NAV/share (p)	19.4	18.8	24.7	19.0	16.2	14.8
Net Tangible Asset Value	5.5	6.3	12.5	6.3	2.9	1.4
NTAV/share (p)	12.0	12.1	19.3	9.7	4.4	2.2
Average equity	8.9	9.3	12.9	14.1	11.5	10.1
Post-tax ROE (%)	-53.5%	-55.2%	-37.4%	-31.2%	-34.2%	-9.3%
Metrics	FY-13A	FY-14A	FY-15A	FY-16A	FY-17E	FY18E
EUS growth	<i>n.a.</i>	61.8%	77.5%	196.1%	101.1%	91.5%
Revenue growth	<i>n.a.</i>	-42.0%	-74.5%	101.8%	42.9%	78.0%
Adj EBIT growth	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Adj PBT growth	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Adj EPS growth	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>	<i>n.a.</i>
Margin on EUS	23.5%	26.3%	97.5%	99.7%	100.0%	100.0%
Valuation	FY-13A	FY-14A	FY-15A	FY-16A	FY-17E	FY18E
EV/Sales	16.0	27.7	108.4	53.7	37.6	21.1
EV/EBITDA	(46.7)	(38.3)	(44.8)	(58.2)	(72.2)	143.6
EV/NOPAT	(57.1)	(46.4)	138.7	(48.2)	(56.2)	358.9
PER	(27.0)	(25.9)	(23.4)	(34.9)	(36.2)	(145.0)
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-1.8%	-1.9%	-1.9%	-2.7%	-1.3%	0.9%

Source: Company information, Progressive Equity Research estimates

¹ Source ITU data; ² Source Statista: <https://www.statista.com/outlook/331/125/mobile-payments/south-korea#market-revenue>

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