

Better than forecast H1 performance, positive Q2 EBITDA

BANXA Holdings Inc (TSX-V:BNXA) is a global Payments Service Provider (PSP) serving the digital asset/cryptocurrency industry. It does so by using its platform as a “bridge” between the fiat/cash/banking system and the digital asset/exchange system. The company is headquartered in Australia where it has pioneered easy to access, local payments platforms for retail investors to acquire cryptocurrencies. More recently it has expanded its infrastructure to the B2B market, partnering with the leading cryptocurrency exchanges, including OK Group, Binance, KuCoin and EDGE Wallet. It has also expanded to the UK, the European Union, USA and Canada. The company has reported H1 FY21 revenue of A\$7.4m, up 124% on the prior period, on the back of an almost seven-fold increase in payments volumes. Gross profit for the half was up more than 200% in the previous corresponding period to \$2.2m. Adjusted EBITDA was a loss of \$0.28m for the period with Q2 FY21 delivering adjusted positive EBITDA of \$0.096m. The result outperformed our forecasts on an annualised basis and has resulted in an upgrade to our FY21 and FY22 forecasts. This has lifted our base case DCF valuation to C\$3.80/share (A\$3.88/share) from C\$3.47/share previously.

Business model

H1 FY21 result commentary

Base case DCF valuation upgraded to C\$3.80

Earnings History and RaaS' Estimates							
Year end	TPV [^] (A\$M)	Revenue (A\$M)	Gross Profit (A\$M)	EBITDA (A\$M)	NPAT (A\$M)	EPS (cps)	EV/Sales (X)
06/20a	69.3	6.8	2.7	(1.0)	(2.0)	nm	16.2
06/21e	476.7	15.7	6.9	(0.9)	(0.6)	-0.69	6.5
06/22e	719.4	25.9	11.4	2.2	1.5	3.67	4.1
06/23e	1,010.9	38.1	16.8	6.7	4.6	11.41	2.7

Source: RaaS Advisory Estimates for FY21e, FY22e and FY23e [^]Total Payments Value

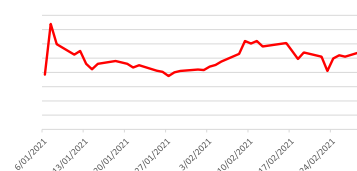
Fintech

3rd March 2021

Share details

Tsx-V Code	BNXA
Share price (2 Mar)	C\$2.69
Market Capitalisation	C\$109.5M
Shares on issue	40.7M
Net debt at 31 Dec	A\$0.22M
Free float	~65%

Share performance (since IPO)



Upside Case

- Scalable business model in high growth sector
- Delivering both online and offline payments options to consumers and businesses
- Delivering compliant, fully regulated blockchain solution to cryptocurrency ownership

Downside Case

- Dependent on volumes, clipping a small % of transactions value
- Sensitive to regulation
- Highly fragmented sector

Catalysts

- Demonstrated continued payments growth
- Delivering its maiden net profit

Board of Directors

Domenic Carosa	Chairman & Founder
Jim Landau	Non-Executive Director
Doron Cohen	Non-Executive Director
Matthew Cain	Non-Executive Director
Holger Arians	Chief Executive Officer

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* RaaS Advisory was paid in shares for its initiation report on BANXA. No fees have been paid for this update report.

H1 FY21 result

Exhibit 1: H1 FY21 versus H1 FY20 and RaaS forecast (in A\$M)

	H1 FY20	H1FY21	% change
Agency transactions	19.6	184.1	839%
Sell transactions	2.3	3.9	64%
Commissions on buy and sell	0.9	3.4	280%
Integration revenue	0	0.1	nm
Sale of cryptocurrencies	2.4	3.9	62%
Total Payments Volume	25.3	195.2	673%
Revenues as per financial statements	3.3	7.4	124%
Cost of sales	(2.6)	(5.2)	102%
Gross Profit	0.7	2.2	203%
GP margin	21.5%	29.1%	36%
EBITDA Reported	(1.2)	(1.1)	(13%)
EBITDA Adjusted	(1.2)	(0.3)	(77%)
NPAT Reported	(1.9)	(0.9)	(52%)
NPAT Adjusted	(1.9)	(0.5)	(74%)

Source: Company data, RaaS estimates

Earnings adjustment

Exhibit 2: Earnings adjustments (in A\$M)

	FY21 old	FY21 new	FY22 old	FY22 new
Revenue	11.5	15.7	17.3	25.9
Gross Profit	8.8	6.9	13.9	11.4
EBITDA	(2.5)	(0.9)	(0.2)	2.2
NPAT Adjusted	(2.5)	(0.2)	(0.1)	1.5
NPAT Reported	(2.5)	(0.6)	(0.1)	1.5

Source: RaaS estimates

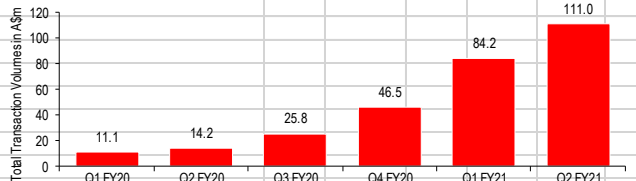
Base Case DCF valuation upgraded to C\$3.80/share

Exhibit 3: Base Case DCF valuation

	Parameters
Discount rate (WACC)	13.5%
Terminal Growth Rate	2.2%
Beta	1.8
Present value of free cashflows (A\$m)	67.6
Terminal value (A\$m)	89.9
Add net cash	(0.3)
Equity value (A\$m)	157.8
Shares on issue	40.7
Equity value per share (A\$)	A\$3.88
Equity value per share (C\$)	C\$3.80

Source: RaaS estimates

Exhibit 4: Financial Summary

Banxa Holdings Inc						Share price (2nd March)						CS	2.69						
Profit and Loss (A\$m)						Total Transaction Volumes and Margins						FY18A	FY19A	FY20A	FY21F	FY22F	FY23F		
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	Commission Revenue	3.7	1.6	2.2	4.7	7.1	10.0							
Total Transaction Value (TTV)	46.0	69.3	476.7	719.4	1,010.9	Sale of Cryptocurrencies	22.3	6.4	4.6	11.0	18.7	28.1							
Revenue (commissions/crypto sales)	8.0	6.8	15.7	25.9	38.1	Sell Transactions (purchases from customers)	21.3	6.2	4.4	10.5	17.8	26.7							
Gross Profit	1.8	2.7	6.9	11.4	16.8	Agency transactions	42.7	31.8	58.1	450.5	675.8	946.1							
EBITDA	(2.2)	(1.0)	(0.9)	2.2	6.7	Total Transaction Volume (TTV)	90.0	46.0	69.3	476.7	719.4	1,010.9							
Depn	(0.6)	(0.6)	(0.0)	(0.0)	(0.0)	Gross Profit	4.1	1.8	2.7	6.9	11.4	16.8							
Amort	0.0	0.0	0.0	0.0	0.0	GP/TTV	5%	4%	4%	1%	2%	2%							
EBIT	(2.8)	(3.7)	(1.0)	2.2	6.7	GP/Revenue reported	16%	22%	40%	44%	44%	44%							
Interest	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)														
Tax	0.8	(0.3)	0.0	(0.6)	(2.0)														
Minorities	0.0	0.0	0.0	0.0	0.0														
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0														
NPAT pre significant items	(2.1)	(4.1)	(0.2)	1.5	4.6														
Significant items	0.0	2.1	(0.4)	0.0	0.0														
NPAT (reported)	(2.1)	(2.0)	(0.6)	1.5	4.6														
Cash flow (A\$m)						Total Transaction Volume growth													
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F														
EBITDA	(2.2)	(1.0)	(0.9)	2.2	6.7														
Interest	0.0	(0.1)	(0.0)	(0.1)	(0.1)														
Tax	(0.2)	(0.1)	0.0	(0.6)	(2.0)														
Working capital changes	0.3	(1.3)	4.3	(3.8)	(0.7)														
Operating cash flow	(2.1)	(2.5)	3.4	(2.3)	3.9														
Mtce capex	(0.0)	0.0	(0.1)	(0.0)	(0.0)														
Free cash flow	(2.1)	(2.5)	3.3	(2.3)	3.9														
Growth capex	0.0	0.0	(0.1)	(0.0)	(0.1)														
Acquisitions/Disposals	0.0	0.5	0.0	0.0	0.0														
Other	(0.0)	(1.2)	0.0	0.0	0.0														
Cash flow pre financing	(2.1)	(3.2)	3.2	(2.3)	3.9														
Equity	1.9	3.6	4.9	0.0	0.0														
Debt	(0.3)	0.5	2.5	0.0	0.0														
Dividends paid	0.0	0.0	0.0	0.0	0.0														
Net cash flow for year	(0.5)	0.9	10.6	(2.3)	3.9														
Balance sheet (A\$m)						Margins, Leverage, Returns						FY19A	FY20A	FY21F	FY22F	FY23F			
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	EBITDA													
Cash	1.1	2.1	12.7	10.4	14.3	EBIT													
Accounts receivable	0.1	0.8	1.3	2.3	3.6	NPAT pre significant items													
Inventory	0.1	0.0	0.0	0.1	0.1	Net Debt (Cash)													
Other current assets	0.2	1.0	1.0	1.0	1.0	Net debt/EBITDA (x)	(x)	n/a	n/a	n/a	n/a	(6.32)	(2.65)						
Total current assets	1.4	3.9	15.0	13.8	19.0	ND/ND+Equity (%)	(%)	(39.9%)	(68.0%)	(71.7%)	(64.1%)	(58.8%)							
PPE	0.0	0.0	0.1	0.1	0.1	EBIT interest cover (x)	(x)	n/a	n/a	n/a	n/a	0.0	0.0						
Goodwill	0.2	0.2	0.2	0.2	0.2	ROA													
Investments	0.0	0.0	0.0	0.0	0.0	ROE													
Deferred tax asset	0.6	0.0	0.0	0.0	0.0	ROIC													
Loan receivables	0.0	0.0	0.0	0.0	0.0	NTA (per share)													
Total non current assets	0.8	0.2	0.3	0.3	0.3	Working capital													
Total Assets	2.2	4.1	15.3	14.1	19.2	WC/Sales (%)													
Accounts payable	0.8	1.5	3.6	1.0	1.5	Revenue growth													
Short term debt	0.0	0.1	3.1	3.1	3.1	EBIT growth pa													
Tax payable	0.3	0.2	0.1	0.1	0.1	Pricing													
Other current liabilities	0.5	0.6	1.6	1.6	1.6	No of shares (y/e)	(m)	0	31	41	41	41							
Total current liabilities	1.6	2.4	8.5	5.8	6.3	Weighted Av Dil Shares	(m)	na	31	41	41	41							
Long term debt	0.0	0.4	0.4	0.4	0.4	EPS Reported	cps	nm	nm	(1.95)	3.67	11.41							
Other non current liab	0.0	0.0	0.0	0.0	0.0	EPS Normalised/Diluted	cps	nm	nm	(0.69)	3.67	11.41							
Total long term liabilities	0.0	0.4	0.4	0.4	0.4	EPS growth (norm/dil)													
Total Liabilities	1.6	2.8	8.9	6.2	6.8	DPS	cps	-	-	-	-	-							
Net Assets	0.6	1.2	6.3	7.8	12.5	DPS Growth													
Share capital	2.9	6.5	12.9	12.9	12.9	Dividend yield													
Accumulated profits/losses	(1.2)	(5.4)	(6.8)	(5.4)	(0.7)	Dividend imputation													
Reserves	0.0	0.1	0.3	0.3	0.3	PE (x)													
Minorities	0.0	0.0	0.0	0.0	0.0	PE market													
Total Shareholder funds	1.7	1.2	6.4	7.8	12.5	Premium/(discount)													
						EV/EBITDA													
						FCF/Share	cps	nm	nm	8.5	-5.5	9.7							
						Price/FCF share													
						Free Cash flow Yield													

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

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ABN 92 168 734 530

AFSL 456663

Effective Date: 26th November 2018



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- who we are
- our services
- how we transact with you
- how we are paid, and
- complaint processes

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 - Securities
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 - Securities

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