

BANXA Holdings Inc

Quarterly Result

Strong conversion on transactions

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. The company has reported Q3 FY21 (March quarter) revenues of A\$21m from total transaction volumes of A\$205m and underlying EBITDA of A\$1.0m, a A\$1.5m turnaround from the A\$0.48m loss reported in Q3 FY20. The net loss for the quarter was A\$1.4m bringing the total net loss year to date to A\$2.3m versus a A\$2.5m loss for the first 9 months of FY20. BANXA ended the quarter with A\$25m in cash and cash equivalents. The growth in revenues was ahead of our expectations, with BANXA securing a higher than forecast margin on its transaction volumes. We have upgraded our FY21 forecasts as a result which has lifted our DCF valuation to A\$8.77/share (previously A\$8.44/share). The softening in the Canadian dollar against the AUD has resulted in a smaller increase in the valuation to C\$8.18/share (previously C\$8.10/share).

Business model

BANXA earns revenue from commission fees & spread. It is therefore a “flow” based business, similar to international forex companies such as PayPal, TransferWise or Ant Financial and Australian forex companies OFX and EML Payments. It operates in both the B2B and B2C markets. For consumers, the company has pioneered physical point of sale locations through its partnerships with Australia Post (4,500 post offices) and blueshyft (1,200 newsagents) and online access through its premium branded “bitcoin” domain names. It has a number of products, including its leading product the BANXA platform, which integrates into client/partner platforms - software and hardware wallets, websites and cryptocurrency exchanges. The platform has been built inhouse, and the Intellectual Property (IP) behind the platform, which includes Machine Learning, Compliance, KYC (“Know-Your-Customer”) and Cash Flow positioning, is owned by BANXA and is integrated with a number of specialist data providers.

Tracking better than expected

BANXA has reported better than expected Q3 revenues of A\$21m and Gross profit of A\$6.0m on total transaction volumes of A\$205m. Revenues in the comparable period in FY20 were \$1.3m while gross profit was \$0.8m. This brings total revenues for the fiscal year to date to A\$28.4m, a 516% increase on the revenues reported in the first nine months of FY20. BANXA reported a maiden positive underlying EBITDA for the quarter of \$1.0m, compared with an EBITDA loss of \$0.5m in Q3 FY20. We have upgraded our forecasts for higher margin conversion on TTV and are now forecasting a 5.3% revenue/TTV margin, versus 4.9% previously.

Base case DCF valuation is C\$8.18/share (previously C\$8.10)

We have upgraded our base case DCF valuation to C\$8.18 (previously C\$8.10) as a result of our adjustments to margins. BANXA is highly leveraged to volume growth and margins on TTV. The better than expected Q3 result has resulted in an upgrade to our revenue forecasts. In our view, continued momentum in BANXA’s total transaction value together with the delivery of stable gross margins should underpin its share price in the short to medium term.

Earnings History and RaaS’ Estimates							
Year end	TTV [^] (A\$M)	Revenue (A\$M)	Gross Profit (A\$M)	EBITDA (A\$M)	NPAT (A\$M)	EPS (cps)	EV/Sales (X)
06/20a	69	6.8	2.7	(1.0)	(2.0)	nm	29.1
06/21e	656	34.9	14.1	1.6	(2.4)	(5.84)	5.5
06/22e	1,306	58.4	23.5	5.0	3.5	7.78	3.5
06/23e	1,914	85.2	34.3	14.9	10.3	23.09	2.5

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

Fintech

1st June 2021

Share details

TSX-V Code	BNXA
OTCQX Code	BNXAF
FSE Code	AC00
Share price (31 May)	C\$4.18
Market Capitalisation	C\$186.8M
Shares on issue	44.7M
Net cash	~A\$25.0M
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 TTV 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 owns shares in BANXA.
No fee has been paid for this update report

Q3 result analysis

BANXA has reported March quarter revenues of A\$21m, a 1,515% increase on the \$1.3m reported a year ago. Gross profit increased 650% to \$6.0m while underlying EBITDA was positive at \$1.0m. The net loss before tax was \$0.2m versus \$0.6m in the same quarter in FY20. Revenue to Total Transaction Volumes was a better than expected 10.3% up from 5.0% in the same quarter in FY20 and caused us to rethink our full year forecasts.

Exhibit 1: March 2021 quarter versus March 2020 quarter			
In A\$m	Q3 FY20	Q3 FY21	% chg
Total Transactions Volumes	26	205	691.2%
Revenue	1.3	21.0	1515.4%
Gross Profit	0.8	6.0	650.0%
EBITDA underlying	(0.5)	1.0	(302.9%)
Net loss before tax	(0.6)	(0.2)	(73.0%)
Net loss reported	(0.6)	(1.4)	119.2%

Source: Company report

For the nine months to March 31, BANXA delivered a 516% increase in revenue to \$28.4m on a 682% increase in TTV. Gross profit for the year to date was \$8.2m, versus \$1.5m over the same period in FY20, with the gross profit/TTV margin a better than expected 2.0%.

Exhibit 2: Nine months to March 31 2021 vs Nine months to March 31, 2020			
In A\$m	9 months FY20	9 months FY21	% chg
Total Transactions Volumes	51	400	682.1%
Revenue	4.6	28.4	516.2%
Gross Profit	1.5	8.2	439.8%
EBITDA underlying	(1.7)	0.7	(140.5%)
Net loss reported	(2.5)	(2.3)	(8.8%)

Source: Company report

Earnings adjustment

We have adjusted our earnings to reflect our expectation that BANXA will deliver a higher than previously forecast margin conversion on TTV in terms of both revenues and gross profit. We are now anticipating revenue/TTV margin of 5.3% for FY21 (previously 4.9%) and 4.4% in FY22 (previously 4.1%). GP/TTV is now forecast to be 2.1% in FY21 (versus 2.0% previously) and 1.8% in FY22 (previously 1.7%). We set out our forecast changes in the following exhibit.

Exhibit 3: Earnings adjustments (in A\$m)				
	FY21 old	FY21 new	FY22 old	FY22 new
Total transaction volumes	653	656	1,301	1,306
Revenue	31.7	34.9	53.3	58.4
Gross profit	12.9	14.1	21.5	23.5
GP/TTV	2.0%	2.1%	1.7%	1.8%
EBITDA underlying	0.4	1.6	3.1	5.0
NPAT before one-time items	0.3	(2.4)	2.1	3.5

Source: RaaS estimates

Base Case DCF valuation upgraded to C\$8.18/share

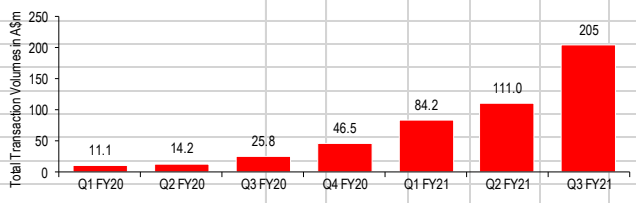
We believe the discounted cashflow methodology is the most appropriate method to value BANXA, given the relatively early stage of the company's life. We arrive at a base case valuation of C\$8.18 (A\$8.77) after applying a WACC of 13.5% and terminal growth rate of 2.2% to our base case free cashflows. The valuation Our A\$ valuation has increased by A\$0.33/share from A\$8.44 previously. The terminal value accounts for C\$4.94/share of our valuation.

Exhibit 4: 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)	145.4
Terminal value (A\$m)	221.2
Add net cash at March 31 (A\$m)	(25.0)
Equity value (A\$m)	391.6
Shares on issue (estimated post raise)	44.7
Equity value per share (A\$)	A\$8.77
Equity value per share (C\$)	C\$8.18

Source: RaaS estimates

Exhibit 5: Financial Summary

Banxa Holdings Inc						Share price (31 May)						C\$		4.18													
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	9.7	18.0	24.6	Total Transaction Value (TTV)	46	69	656	1,306	1,914	Sale of Cryptocurrencies	22.3	6.4	4.6	25.2	40.4	60.6		
Revenue (commissions/crypto sales)	8.0	6.8	34.9	58.4	85.2	Sell Transactions (purchases from customers)	21.3	6.2	4.4	24.0	38.4	57.6	Revenue (commissions/crypto sales)	8.0	6.8	34.9	58.4	85.2	Agency transactions	42.7	31.8	58.1	597.0	1,208.9	1,771.0		
Gross Profit	1.8	2.7	14.1	23.5	34.3	Total Transaction Volume (TTV)	90.0	46.0	69.3	655.9	1,305.7	1,913.8	Gross Profit	(2.2)	(1.0)	1.6	5.0	14.9	GP/Revenue reported	4.1	1.8	2.7	14.1	23.5	34.3		
EBITDA	(2.2)	(1.0)	1.6	5.0	14.9	GP/Revenue reported	4.5%	3.9%	3.9%	2.1%	1.8%	1.8%	EBITDA	(0.6)	(0.6)	(0.0)	(0.0)	(0.0)	GP/Revenue reported	15.7%	22.3%	39.5%	40.3%	40.2%	40.3%		
Depn	(0.6)	(0.6)	(0.0)	(0.0)	(0.0)	Total Transaction Volume growth																					
Amort	0.0	0.0	0.0	0.0	0.0																						
EBIT	(2.8)	(3.7)	1.6	5.0	14.9	Margins, Leverage, Returns						FY19A	FY20A	FY21F	FY22F	FY23F											
Interest	(0.0)	(0.1)	(0.6)	(0.1)	(0.2)	EBITDA	(27.2%)	(14.9%)	4.6%	8.6%	17.5%																
Interest	(0.0)	(0.1)	(0.6)	(0.1)	(0.2)	EBIT	(35.2%)	(54.9%)	4.5%	8.6%	17.5%																
Tax	0.8	(0.3)	(0.7)	(1.5)	(4.4)	NPAT pre significant items	(25.8%)	(60.2%)	(6.9%)	5.9%	12.1%																
Minorities	0.0	0.0	0.0	0.0	0.0	Net Debt (Cash)	(1.13)	(2.60)	(15.41)	(7.56)	(11.54)																
Equity accounted assoc	0.0	0.0	0.0	0.0	0.0	Net debt/EBITDA (x)	(x)	n/a	n/a	-	9.667	(1.50)	(0.77)														
NPAT pre significant items	(2.1)	(4.1)	(2.4)	3.5	10.3	ND/ND+Equity (%)	(%)	(39.9%)	(68.0%)	(45.0%)	(25.2%)	(26.1%)															
One time items inc forex gain/losses	0.0	2.1	(1.2)	0.0	0.0	EBIT interest cover (x)	(x)	n/a	n/a	0.4	0.0	0.0															
NPAT (reported)	(2.1)	(2.0)	(3.6)	3.5	10.3	ROA	(19.4%)	(118.3%)	10.2%	17.1%	37.5%																
Cash flow (A\$m)						Balance sheet (A\$m)						ROE	(20.1%)	(136.0%)	(35.7%)	17%	37%										
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	Cash	1.1	2.1	11.9	1.0	1.0																
EBITDA	(2.2)	(1.0)	1.6	5.0	14.9	Accounts receivable	0.1	0.8	7.8	17.4	26.7																
Interest	0.0	(0.1)	(0.6)	(0.1)	(0.2)	Inventories	0.1	0.0	5.1	11.5	17.6																
Tax	(0.2)	(0.1)	(0.7)	(1.5)	(4.4)	Other current assets	0.2	1.0	1.7	1.7	1.7																
Working capital changes	0.3	(1.3)	(10.9)	(17.3)	(14.2)	Total current assets	1.4	3.9	26.5	31.6	47.1																
Operating cash flow	(2.1)	(2.5)	(10.6)	(13.8)	(3.9)	PPE	0.0	0.0	0.2	0.2	0.2																
Mtce capex	(0.0)	0.0	(0.1)	(0.0)	(0.0)	Goodwill	0.2	0.2	0.2	0.2	0.2																
Free cash flow	(2.1)	(2.5)	(10.7)	(13.8)	(4.0)	Investments	0.0	0.0	0.0	0.0	0.0																
Growth capex	0.0	0.0	(0.1)	(0.0)	(0.1)	Deferred tax asset	0.6	0.0	0.0	0.0	0.0																
Acquisitions/Disposals	0.0	0.5	0.0	0.0	0.0	Loan receivables	0.0	0.0	0.0	0.0	0.0																
Other	(0.0)	(1.2)	0.0	0.0	0.0	Total non current assets	0.8	0.2	0.3	0.3	0.3																
Cash flow pre financing	(2.1)	(3.2)	(10.8)	(13.9)	(4.0)	Total Assets	2.2	4.1	26.8	31.9	47.4																
Equity	1.9	3.6	19.3	0.0	0.0	Accounts payable	0.8	1.5	3.6	2.3	3.5																
Debt	(0.3)	0.5	2.5	3.0	4.0	Short term debt	0.0	0.1	3.1	6.1	10.1																
Dividends paid	0.0	0.0	0.0	0.0	0.0	Tax payable	0.3	0.2	0.1	0.1	0.1																
Net cash flow for year	(0.5)	0.9	11.0	(10.9)	(0.0)	Other current liabilities	0.5	0.6	0.6	0.6	0.6																
Balance sheet (A\$m)						Working capital						Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%										
Y/E 30 June	FY19A	FY20A	FY21F	FY22F	FY23F	WC/Sales (%)	(8.4%)	(10.3%)	26.5%	45%	48%																
Cash	1.1	2.1	11.9	1.0	1.0	Revenue growth	(69.2%)	(15.0%)	414.8%	67%	46%																
Accounts receivable	0.1	0.8	7.8	17.4	26.7	EBIT growth pa	n/a	n/a	-142%	217.3%	197%																
Inventories	0.1	0.0	5.1	11.5	17.6	Pricing						Dividend imputation	30	30	30	30	30										
Other current assets	0.2	1.0	1.7	1.7	1.7	No of shares (y/e)	(m)	0	31	44	44	44															
Total current assets	1.4	3.9	26.5	31.6	47.1	Weighted Av Dil Shares	(m)	na	31	42	44	44															
PPE	0.0	0.0	0.2	0.2	0.2	EPS Reported	cps	nm	nm	(8.64)	7.78	23.09															
Goodwill	0.2	0.2	0.2	0.2	0.2	EPS Normalised/Diluted	cps	nm	nm	(5.64)	7.78	23.09															
Investments	0.0	0.0	0.0	0.0	0.0	EPS growth (norm/dil)		nm	nm	nm	(233.3%)	197%															
Deferred tax asset	0.6	0.0	0.0	0.0	0.0	DPS	cps	-	-	-	-	-															
Loan receivables	0.0	0.0	0.0	0.0	0.0	DPS Growth		n/a	n/a	n/a	n/a	n/a															
Total non current assets	0.8	0.2	0.3	0.3	0.3	Dividend yield		0.0%	0.0%	0.0%	0.0%	0.0%															
Total Assets	2.2	4.1	26.8	31.9	47.4	PE (x)		nm	nm	-	53.7	18.1															
Accounts payable	0.8	1.5	3.6	2.3	3.5	PE market		20.0	20.0	20.0	20.0	20.0															
Short term debt	0.0	0.1	3.1	6.1	10.1	Premium/(discount)		nm	nm	(100%)	169%	(9%)															
Tax payable	0.3	0.2	0.1	0.1	0.1	EV/EBITDA		(91.10)	(195.88)	119.69	40.7	14.0															
Other current liabilities	0.5	0.6	0.6	0.6	0.6	FCF/Share	cps	nm	nm	(23.6)	(31.0)	(8.8)															
Total current liabilities	1.6	2.4	7.5	9.1	14.3	Price/FCF share		nm	nm	nm	(13.5)	(47.3)															
Long term debt	0.0	0.4	0.4	0.4	0.4	Free Cash flow Yield		nm	nm	(5.6%)	(7.4%)	(2.1%)															
Other non current liabs	0.0	0.0	0.0	0.0	0.0																						
Total long term liabilities	0.0	0.4	0.4	0.4	0.4																						
Total Liabilities	1.6	2.8	7.9	9.6	14.8																						
Net Assets	0.6	1.2	18.9	22.4	32.6																						
Share capital	2.9	6.5	28.4	28.4	28.4																						
Accumulated profits/losses	(1.2)	(5.4)	(9.9)	(6.3)	3.9																						
Reserves	0.0	0.1	0.3	0.3	0.3																						
Minorities	0.0	0.0	0.0	0.0	0.0																						
Total Shareholder funds	1.7	1.2	18.9	22.4	32.6																						

Source: RaaS Advisory



FINANCIAL SERVICES GUIDE

RaaS Advisory Pty Ltd

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Corporate Authorised Representative, number 1248415

of

BR SECURITIES AUSTRALIA PTY LTD

ABN 92 168 734 530

AFSL 456663

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- 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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Website: www.afca.org.au; Email: info@afca.org.au; Telephone: 1800931678 (free call)

In writing to: Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC, 3001.

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Australia

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North America

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