



ERIK PENSER BANK

Penser Access | Financial Conglomerates | Sweden | 26 July 2022

Quickbit

Sales down in Q4

Sales down in Q4 but gross margin stronger

Net sales in Q4 amounted to EUR 69 m (83), corresponding to growth of -17% y/y. Revenues were generated exclusively by Quickbit Affiliate. The decrease y/y is due to a lower conversion rate and lower customer activity. The number of merchants increased by 8 to 82 at the end of the quarter.

Strong gross margin and product launch

The company is reporting a gross margin of 4.3% (3.6%). The figure is very strong and comes after cost efficiencies and renegotiated supplier contracts. The gross margin FY 21/22 was 3.9% (4.2%), Quickbit launched the Quickbit Card debit card in Sweden and Norway during the quarter.

Recovery may take time

We are adjusting our estimate to reflect expectations for lower merchant activity in H1 22/23e. Our current assessment is that the company could improve the conversion rate by investing in upgrades, but that the lower conversion rate is going to impact revenues until that happens. We see a new fair value of SEK 4.0-4.2 per share (6.0-6.2).

Estimate Changes (EUR)				Estimates (EUR)			Risk and Potential	
	Now	Before			21/22	22/23e	23/24e	Motivated value
EPS, adjusted 22/23e	-0	0	-100.9%	Sales, mkr	347	384	442	Current price
EPS, adjusted 23/24e	0	0.1	-80.0%	Growth	38%	11%	15%	€0.3
				EBITDA, mkr	1.5	4.6	6.7	Risk level
				EBIT, mkr	(1)	(0)	2	High
				EPS, adjusted	(0.0)	(0.0)	0.0	
				EPS growth	(58)%	(98)%	(6,335)%	
				Equity/share	0.3	0.3	0.3	
				Dividend/share	0.0	0.0	0.0	
				EBIT margin	(0.3)%	(0.0)%	0.4%	
				ROE	(6.4)%	(0.1)%	5.9%	
				ROCE	(2.8)%	(0.1)%	6.3%	
				EV/Sales	0.1x	0.0x	0.0x	
				EV/EBITDA	12.6x	4.2x	2.8x	
				EV/EBIT	(21.1)x	(631.7)x	10.1x	
				P/E, adjusted	(19.2)x	(1,209.4)x	19.4x	
				P/Equity	1.2x	1.2x	1.2x	
				Dividend yield	0.0%	0.0%	0.0%	
				FCF yield	0.4%	0.3%	0.9%	
				Net debt/EBITDA	(9.3)g	(3.3)g	(2.8)g	

Calendar Events

Q1	2022-11-09
Q2	2023-02-08

Key Figures (EURm)

Number of shares	88m
Market cap	303
Net debt	(10)
EV	199
Free float	82%
Average number of daily traded shares	841(k)

One Year Performance Chart



Analysts

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Overview

Sales down in Q4

Investment Case

Quickbit provides financial services for cryptocurrencies. The company has reshaped its operations to focus primarily on Europe, while at the same time working actively with product development, and has now developed services in both B2B and B2C. Quickbit currently has an extensive network of merchants (marketplaces) and plans for continued expansion in the B2C segment of the market for cryptocurrency payment solutions. This broad network lays the conditions to attract customers to its own B2C platform and thus drive cost-effective conversion to new product segments. We see attractive aspects such as high scalability, a broad customer network and strong underlying structural growth. In the long term, the company has plans to develop applications in DeFi, decentralized finance, which in simple terms includes traditional banking services integrated in a blockchain platform. However, these applications are so far not included in the company's product offering.

Company Profile

Quickbit provides financial services for cryptocurrencies. The company has historically had its main business in an affiliate service, a B2B solution that has enabled merchants to take payments in cryptocurrency. Through newly launched products, Quickbit is targeting its business to other B2C solutions, such as QuickBit App, for trading cryptocurrencies, and Quickbit Card, which allows users to pay with cryptocurrencies when making card purchases online or in store. QuickBit Pay is the company's plug and play solution for emerchants. The company was founded in 2016 and was listed on the stock exchange in 2019.

Valuation approach

We value Quickbit using a multiple-based method. We base the valuation on a forward-looking EBIT multiple for 2023/24e. Using our multiple approach, we value Quickbit at 12x EBIT for 2023/24. The multiple approach indicates a value per share of SEK 3.8.

We also underpin the valuation of Quickbit with a DCF model for the period of 2022-2030. Looking forward, we believe the company will see strong growth in the B2C business, albeit this business is competitive and more dependent on the performance of the underlying assets. Our DCF model uses a discount period up to 2030 and a WACC of 14.5% (12.5%), with the increase derived from a higher risk premium. The higher risk premium is justified because the company's B2C venture is, as we see it, dependent on volatility in the underlying asset and because the high volatility in underlying assets in 2022 increases the risk.

We assume a long-term EBIT margin of 6% (10%) as we are seeing squeezed margins in the sector while the competitive situation is going to gradually intensify. Our DCF gives a fair value of SEK 4.30 per share. Taken together, we see a fair value of SEK 4.00-4.20 per share (SEK 6.00-6.20), where the multiple approach takes the lead.

Quickbit Affiliate

Quickbit Affiliate is a B2B service that allows e-merchants to offer cryptocurrency payments. Users offering cryptocurrency payments can employ Quickbit's solutions to make it easier for the customer to complete the transaction. Customers can be referred to Quickbit for the purchase of cryptocurrencies, which are then employed on the user's website. Transactions through Quickbit's solution result in shorter payment times for e-merchants, no acquirer charges and low fraud risk. Its customers are gaming operators.

Quickbit Merchant

Quickbit Merchant is Quickbit's solution that enables e-merchants to accept and make payments in crypto-to-crypto transactions. Quickbit Affiliate and Quickbit Merchant together form the company's B2B offering. The application means that e-merchants are not exposed to currency risk since the e-merchant receives payments in cryptocurrency and thus does not require an exchange process.

Quickbit Card, Quickbit App and other B2C

Quickbit's app is a B2C solution that enables the user to make transactions in cryptocurrencies. QuickBit App was launched in Sweden in 2021, and at the end of 2021 the app was also launched in Norway. It supports the use of bitcoin, litecoin, bitcoin cash, ethereum, cardano, chainlink and polkadot. Quickbit Card was launched in Sweden during Q3'21/22 and in Q4'21/22 Quickbit launched Quickbit Card in Sweden and Norway. Quickbit's strategic focus is to drive users to the B2C business from Quickbit Affiliate, and thereby reduce the cost of customer acquisition.

The quarter in detail

Net sales in Q4 21/22 amounted to EUR 69.3 million (83.1), corresponding to growth of -17% y/y. The growth is an effect of the lower conversion rate within Quickbit Affiliate and lower activity among the company's customers (merchants). Revenues fell short of our estimate of EUR 96 million, where the difference is explained mainly by lower sales per merchant. The company is continuing to add new customers in line with expectations, but sales are becoming less driven by the lower conversion rate and lower merchant activity. We believe Quickbit has the capacity to improve the conversion rate but that lower merchant activity will characterise 2022/23.

We are pleased with Quickbit's strong gross margin for the quarter, which amounted to 4.3% (3.6%) and was driven by factors including cost efficiencies achieved through renegotiated merchant agreements. The gross margin FY was 3.9% (4.2%). EBIT totalled EUR -0.5 million (-0.3) and EBIT FY was EUR -0.9 million (1.6).

Estimate changes: Reduced activity may impact B2B.

Our estimate changes are summarized below. In our assessment, revenues in 2022/23 will be affected by lower merchant activity, but we also believe that the conversion rate and revenues will recover in 2022/23. Accordingly, we are adjusting revenues from the Affiliate business downwards. In our estimate, these are a dominant share of the company's total revenues for 2022/23. EBIT is affected by the company's cost structure due to the large share of fixed costs, which impacts profit.

New estimates	22/23e	23/24e	24/25e
Revenue	384	442	517
EBIT	(0)	2	3,2

Previous estimates	22/23e	23/24e	24/25e
Revenue	486	564	-
EBIT	4	9	-

Change, %	22/23e	23/24e	24/25e
Revenue	-21%	-22%	0%
EBIT	-101%	-80%	0%

Source: Erik Penser Bank

Valuation

Our valuation assumptions for the DCF model and our assumptions for the multiple valuation are summarized below. Our DCF model uses a discount period up to 2030 and a WACC of 14.5 % (12.5%). The discount rate increases based on a higher risk premium. We see a higher risk because the B2C launch still lies in the future and is associated with higher risk due to the increased underlying volatility in crypto assets.

We assume a long-term EBIT margin of 6% (10%) as we are seeing squeezed margins in the sector while the competitive situation is going to gradually intensify. Our adjustments to the growth estimate for 2024/25 affect growth for the entire forecast period. Our DCF indicates a fair value of SEK 4.3 per share.

Valuation output		WACC assumptions	
Sum of PV of FCF (explicit period)	25	Risk free nominal rate	2,0%
PV of terminal value (perpetuity formula)	2	Risk premium	5,5%
Enterprise value	27	Extra risk premium	5,5%
Latest net debt	-10	Beta	1,1
Minority interests & other	0	Cost of equity	14,5%
Equity value	37	Cost of debt (pre-tax)	2,0%
No. of shares outstanding (millions)	88	Tax rate	20%
Equity value per share (SEK)	4,3	Target debt/(debt + equity)	0%
		WACC	14,5%
		Terminal value assumptions	
		Long term growth rate	1,5%
		Long term EBIT margin	6,0%
		Depreciation (% of sales)	3,0%
		Capex (% of sales)	3,0%
		Working cap. (% of sales)	0,0%
		Tax rate	20%

Source: EPB

Below we summarize the sensitivity for assumptions on WACC, long-term growth, and long-term EBIT margin.

Sensitivity analysis						
Long-term growth rate						
		0,5%	1,0%	1,5%	2,0%	2,5%
WACC	13,5%	4,4	4,4	4,5	4,5	4,5
	14,0%	4,4	4,4	4,4	4,4	4,4
	14,5%	4,3	4,3	4,3	4,3	4,4
	15,0%	4,2	4,2	4,3	4,3	4,3
	15,5%	4,2	4,2	4,2	4,2	4,2
Long-term EBIT margin						
		1,0%	3,5%	6,0%	8,5%	11,0%
WACC	13,5%	4,1	4,3	4,5	4,6	4,8
	14,0%	4,0	4,2	4,4	4,6	4,7
	14,5%	4,0	4,2	4,3	4,5	4,6
	15,0%	4,0	4,1	4,3	4,4	4,6
	15,5%	3,9	4,0	4,2	4,3	4,5

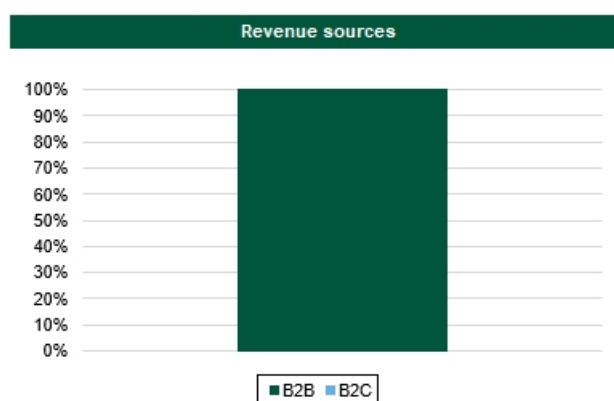
Källa: EPB

Our assumptions for the relative valuation are summarized below. We assume that Quickbit should have a certain discount against sector companies. Growth profiles are similar for the sector companies, but peers have relatively higher margins for 2023. We apply a target multiple of 12x EBIT for 2023/24e (see summary below). The relative valuation indicates a fair value of SEK 3.8 per share. All things considered, we see a fair value of SEK 4.0-4.20 per share.

PEER valuation	
Shares	88
Last paid	3,4
Mkt cap	301
Net debt	-9,9
EBIT 2023/24e	1,9
Trgt multiple, EBIT 2023/24e x	12
Enterprise value	22,5
Trgt mkt cap	32,4
EUR/SEK	10,4
Target price	3,8
Source: EPB	

Shareholder data		
Shareholder	Votes	Shares
Aurentum i LLP	9,99%	9,99%
Avanza	9,21%	9,21%
Nordnet	3,76%	3,76%
Abelco Investment Group	3,2%	3,16%
Other	73,9%	73,9%
Chairman	Mikael Karlsson	
CEO	Hammad Abuisseifan	
CFO	Susanne Andersson	
Investor contact	Hammad Abuisseifan	
Website	www.quickbit.com/int/en-us/	

Source: Holdings. Uppdaterat 2022-06-28



Source: Company reports

Income statement							
	2018/19*	2019/20*	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Net sales	223	440	251	347	384	442	517
Revenue	6	13	11	14	17	19	23
Cost of goods sold	-217	-427	-240	-333	-367	-423	-495
Gross profit	6	13	11	14	17	19	23
Selling expenses	-1	-3	-6	7	-7	-7	-8
Admin expenses	0	-1	-2	-5	-5	-5	-6
Other revenue	0	0	0	-2	-1	-1	-2
Other expenses	0	1	0	2	2	2	2
EBITDA	5	10	2	2	5	7	8
Depreciation and amortization	0	-1	-1	-2	-5	-5	-5
EBIT	5	9	2	-1	0	2	3
Financial income	0	0	0	0	0	0	0
Financial expenses	0	0	0	0	0	0	0
Profit before taxes	5	9	0	-1	0	2	3
Tax	-1	0	-1	0	0	-1	0
Minority interest	0	0	0	0	0	0	0
Net result	4	8	0	-2	0	1	3
Net result (adjusted)	4	8	0	-2	0	1	3

Source: Company reports, EPB

* Data for 2018/19 -2019/20 in SEK. 2020/21 is converted to EUR using FX rate as of closing date where only SEK data is available

Balance sheet							
	2018/19*	2019/20*	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Goodwill	0	0	0	0	0	0	0
Other intangible assets	14	71	9	10	8	7	6
Tangible assets	0	1	0	0	0	0	0
Other fixed assets	0	0	0	0	0	0	0
Total fixed assets	14	75	9	10	8	7	6
Other current assets	47	126	15	8	5	4	2
Cash and cash equivalents	8	21	13	14	18	28	43
Total current assets	47	126	15	8	5	4	2
TOTAL ASSETS	83	221	37	32	29	30	31
EQUITY AND LIABILITIES	0	0	0	0	0	0	0
Equity	69	189	25	24	24	25	28
Total equity	69	189	25	24	24	25	28
Long-term interest bearing liabilities	0	0	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0	0	0
Total non-current liabilities	0	0	0	0	0	0	0
Total current liabilities	14	33	12	8	5	5	3
Total liabilities	14	33	12	8	5	5	3
TOTAL EQUITY AND LIABILITIES	83	221	37	32	29	30	31

Source: Company reports, EPB

* Data for 2018/19 -2019/20 in SEK. 2020/21 is converted to EUR using FX rate as of closing date where only SEK data is available

Cash flow statement							
	2018/19*	2019/20*	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Net result	5	9	2	-1	0	2	3
Other non-cash items	46	104	1	2	5	4	4
Changes in working capital	-43	-89	4	3	0	1	0
Cash flow from operations	8	24	6	4	5	7	8
Capex	-4	-27	-3	-3	-3	-3	-3
Free cash flow	3	-3	4	2	1	4	4
Dividends	0	0	0	0	0	0	0
Share issue / buybacks	0	16	7	0	0	0	0
Cash flow from financing	3	0	0	0	0	0	0
Cash flow	7	13	10	2	1	4	4
Other non-cash adjustments	0	0	0	0	0	0	0
Cash & CE	8	21	13	14	15	19	23

Source: Company reports, EPB

* Data for 2018/19 -2019/20 in SEK. 2020/21 is converted to EUR using FX rate as of closing date where only SEK data is available

Tillväxt och marginaler						
	2019/20*	2020/21	2021/22	2022/23e	2023/24e	2024/25e
Sales growth	97%	N/A	38%	11%	15%	17%
EBIT growth	96%	N/A	-156%	-97%	N/A	69%
Gross margin	3%	4%	4%	4%	4%	4%
EBITDA margin	2%	1%	0%	1%	2%	2%
EBIT margin	2%	1%	0%	0%	0%	1%

Source: Company reports, EPB

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