



ERIK PENSER BANK

Penser Access | Financial Conglomerates | Sweden | 21 February 2022

Overview

Continued growth in Q2

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. The Q2 report mentions ambitions to develop an initial DeFi product, called Earn Wallet, that will enable the lending of cryptocurrencies.

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 offer 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 e-merchants. The company was founded in 2016 and was listed on the stock exchange in 2019.

Valuation approach

We value Quickbit with a multiple-base approach. We base our valuation on a forward-looking EBIT multiple for 2022/23e. We apply a multiple of 13x EBIT of 2022/23e. This multiple indicates a fair value range of SEK 7,60-7,80 per share (11-12 per share). Below we display growth profile, valuation multiples and margins for selected sector companies. Coinbase, who provide a combined B2C and B2B product offering, is a peer to Quickbit. Coinbase displays a longer track record, greater market cap, and greater geographical reach. It currently trades at 14x EBIT on 2023e. The historical growth of the companies are similar, but peers have comparably stronger margins. For further details about the valuation, see below.



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Company	EV/EBIT x			EV/Sales x		P/E x		
	2021	2022e	2023e	2021	2022e	2021	2022e	2023
Coinbase Global	16,7	21x	N/A	6,4	6,6	14,2	27,3	N/A
Voyager Digital	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16,0
Average								

Company	Sales growth (%)			EBIT growth (%)		Profit growth (%)		
	2021	2022e	2023e	2021	2022e	2021	2022e	2022e
Coinbase Global	473%	NEG	N/A	NEG	N/A	NEG	N/A	N/A
Voyager Digital	75%	211%	39%	NEG	N/A	NEG	NEG	N/A
Average								

Company	Gross margin (%)			EBIT margin (%)		Profit margin (%)		
	2021	2022e	2023e	2021	2022e	2021	2022e	2022e
Coinbase Global	81%	84%	N/A	38%	31%	45%	24%	N/A
Voyager Digital	68%	66%	71%	4%	18%	NEG	1%	16%
Average								

Källa: Factset

We support the valuation of Quickbit with a DCF model for the period 2022-2030. Looking forward, we believe that the company will see a strong contribution from the B2C-business, although it is subject to strong competition. Our DCF model applies an estimate period of 2022-2030 and a WACC of 12,5%. We apply a long term EBIT margin of 10 %, as we believe high sector margins will attract competition. Our DCF indicates a fair value of 7,80 per share.

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 Merchant is planned for launch in Q4 2021/22.

Quickbit Card and Quickbit App

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 is expected to launch in Q3 2021/22. 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 for the second quarter strengthened 295%, and amounted to EUR 88.2 m (EUR 22.3 m), with an ADV of EUR 1.0m and a merchant number of 74 at the end of the period. During the quarter, the company carried out its planned app launch in Norway, and says that it is preparing for a future launch in Finland and the Netherlands. We look forward to the company continuing the global propagation of its B2C offering while prioritizing B2B expansion by adding new merchants.

Quickbit's gross margin in the quarter was 3.9%, which was in line with its own ambitions of around 4%. The cost base increased slightly, and other external costs during Q2 2022 amounted to EUR 2.2 m (1.0 m), driven partly by increased consulting and legal costs that come from launching in new markets. EBITDA for the quarter was positive and amounted to EUR 0.2 m.

Estimate changes

Below we summarize our estimate changes. We adjust EBIT for current financial year, to reflect expectations of increased OPEX. We predict strong growth in 2022/23, but adjust the sales with -5%.

New estimates	21/22e	22/23e	23/24e
Revenue	416	527	610
EBIT	0	4	10

Previous estimates	21/22e	22/23e	23/24e
Revenue	415	558	-
EBIT	1	5	-

Change, %	21/22e	22/23e	23/24e
Revenue	0%	-5%	0%
EBIT	-89%	-14%	0%

**Converted at EUR/SEK 10,2*

Valuation

Below we summarize our assumptions for the DCF model along with our assumptions for the multiple base approach. Our DCF model applies an estimate window until 2030, and a WACC of 12,5%. Pur DCF model indicates a fair value of 7,70 - 7,90 per share.

Valuation output		WACC assumptions	
Sum of PV of FCF (explicit period)	50	Risk free nominal rate	1,0%
PV of terminal value (perpetuity formula)	8	Risk premium	7,0%
Enterprise value	58	Extra risk premium	3,5%
Latest net debt	-9	Beta	1,2
Minority interests & other	0	Cost of equity	13,6%
Equity value	67	Cost of debt (pre-tax)	2,0%
No. of shares outstanding (millions)	88	Tax rate	21%
Equity value per share (SEK)	7,8	Target debt/(debt + equity)	0%
		WACC	12,5%

Implicit multipl.	2021	2022	2023
EV/Sales	5,5	3,1	2,0
EV/EBITDA	25,2	19,2	6,5
EV/EBIT	36,2	70,4	10,1
EV/NOPLAT	45,5	88,6	12,7
P/E			
ROIC/WACC			
Current Share price			4,885
Curent EUR/SEK			10,2

Terminal value assumptions	
Long term growth rate	1,5%
Long term EBIT margin	10,0%
Depreciation (% of sales)	3,0%
Capex (% of sales)	3,0%
Working cap. (% of sales)	0,0%
Tax rate	21%

Sensitivity analysis

		Long-term growth rate				
		0,5%	1,0%	1,5%	2,0%	2,5%
WACC	11,5%	8,0	8,1	8,2	8,3	8,4
	12,0%	7,8	7,9	8,0	8,1	8,1
	12,5%	7,6	7,7	7,8	7,8	7,9
	13,0%	7,4	7,5	7,6	7,6	7,7
	13,5%	7,3	7,3	7,4	7,4	7,5

		Long-term EBIT margin				
		5,0%	7,5%	10,0%	12,5%	15,0%
WACC	11,5%	7,3	7,7	8,2	8,7	9,1
	12,0%	7,1	7,5	8,0	8,4	8,8
	12,5%	7,0	7,4	7,8	8,2	8,5
	13,0%	6,8	7,2	7,6	7,9	8,3
	13,5%	6,7	7,0	7,4	7,7	8,1

Below we summarize our assumptions for the peer valuation. We believe a discount is motivated based on track record, margins and geographical reach. We apply a multiple of 13x EBIT of 2022/23e. This multiple indicates a fair value range of SEK 7,60-7,80 per share (11-12 per share). Below we display growth profile, valuation multiples and margins for selected sector companies.

PEER valuation	
Shs	88
Last paid	5,1
Mkt Cap	448
Net debt	-9,4
EBIT 2023e	4,4
Trgt multiple, EBIT 2023e x	13
Enterprise value	57,0
Trgt mkt cap	66,4
EUR/SEK	10,2
Target price	7,66

Com pany	EV/EBIT x			EV/Sales x		P/E x		
	2021	2022e	2023e	2021	2022e	2021	2022e	2023
Coinbase Global	16,7	21x	N/A	6,4	6,6	14,2	27,3	N/A
Voyager Digital	N/A	N/A	N/A	N/A	N/A	N/A	N/A	16,0
Average								

Com pany	Sales growth (%)			EBIT growth (%)		Profit growth (%)		
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Average								

Källa: Factset

Income statement

	2018/19*	2019/20*	2020/21*	2021/22e	2022/23e	2023/24e
Nettoomsättning	223	440	251	416	527	610
Bruttoomsättning	6	13	11	18	28	42
Kostnad sålda varor	-217	-427	-240	-397	-499	-568
Bruttovinst	6	13	11	18	28	42
Försäljningskostnader	-1	-3	-6	-9	-10	-10
Personalkostnader	0	-1	-2	-5	-5	-7
Övriga kostnader	0	0	0	-1	-1	-1
Övriga intäkter	0	1	0	2	2	2
EBITDA	5	10	2	2	9	15
Av- och nedskrivningar	0	-1	-1	-2	-4	-4
EBIT	5	9	2	0	4	10
Finansiella intäkter	0	0	0	0	0	0
Finansiella kostnader	0	0	0	0	0	0
Resultat före skatt	5	9	0	0	4	10
Skatt	-1	0	-1	-1	-2	-4
Minoritetsintressen						
Nettoresultat	4	8	0	-1	3	8
Nettoresultat (justerat)	4	8	0	-1	3	8

Källa: Bolagsrapporter.

* Data för 2018/19 -2019/20 i SEK. 2020/21 är omvandlad till EUR med hjälp av växelkurs per balansdag i de fall endast svenska data är tillgänglig

Cash flow statement

	2018/19*	2019/20*	2020/21*	2021/22e	2022/23e	2023/24e
Rörelseresultat	5	9	2	0	4	10
Justeringsposter	46	104	1	1	3	2
Förändringar i rörelsekapital	-43	-89	4	3	0	2
Kassaflöde från den operationella verksamheten	8	24	6	5	8	15
Investeringar	-4	-27	-3	-3	-4	-4
Fritt kassaflöde	3	-3	4	1	4	11
Utdelningar	0	0	0	0	0	0
Ny emission / återköp	0	16	7	0	0	0
Lånefinansiering och övriga justeringar	3	0	0	0	0	0
Kassaflöde	7	13	10	1	4	11
Other non-cash adjustments						
Likvida medel	8	21	13	14	18	29

Källa: Bolagsrapporter.

* Data för 2018/19 -2019/20 i SEK. 2020/21 är omvandlad till EUR med hjälp av växelkurs per balansdag i de fall endast svenska data är tillgänglig

Balance sheet

	2018/19*	2019/20*	2020/21*	2021/22e	2022/23e	2023/24e
TILLGÅNGAR						
Goodwill	0	0	0	0	0	0
Övriga immateriella tillgångar	14	71	9	10	10	9
Materiella tillgångar	0	1	0	0	0	0
Övriga materiella tillgångar	0	0	0	0	0	0
Summa anläggningstillgångar	14	75	9	10	10	9
Övriga omsättningstillgångar	47	126	15	11	8	8
Likvida medel	8	21	13	14	18	28
Summa omsättningstillgångar	47	126	15	11	8	8
SUMMA TILLGÅNGAR	83	221	37	35	36	47
EGET KAPITAL OCH SKULDER						
Eget kapital	69	189	25	24	28	36
Summa eget kapital	69	189	25	24	28	36
Långfristiga finansiella skulder	0	0	0	0	0	0
Övriga långsiktiga skulder	0	0	0	0	0	0
Summa långfristiga skulder	0	0	0	0	0	0
Summa kortfristiga skulder	14	33	12	11	8	10
Summa skulder	14	33	12	11	8	10
SUMMA EGET KAPITAL OCH SKULDER	83	221	37	35	36	47

Källa: Bolagsrapporter.

* Data för 2018/19 -2019/20 i SEK. 2020/21 är omvandlad till EUR med hjälp av växelkurs per balansdag i de fall endast svenska data är tillgänglig

Growth and margins

	2019/20*	2020/21*	2021/22e	2022/23e	2023/24e
Omsättningstillväxt	97%	N/A	66%	27%	16%
EBIT-tillväxt	96%	N/A	-91%	3121%	138%
Bruttomarginal	3%	4%	4%	5%	7%
EBITDA-marginal	2%	1%	1%	2%	2%
EBIT-marginal	2%	1%	0%	1%	2%

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