



ERIK PENSER BANK

Penser Access | Financial Conglomerates | Sweden | 17 May 2022

Quickbit

Extending the product family

Q3 report

Net sales in Q3 amounted to EUR 92.1m (91.2), corresponding to growth of 1%. Revenues were generated exclusively B2B from the company's affiliate solution. Quickbit added currencies during the quarter to the app, which now supports a total of seven currencies. The company began its B2C growth journey after the end of the quarter with the launch of the Quickbit Card in Sweden.

Gross margin still in line with targets

The company is reporting a gross margin of 4%, resulting in gross profit of EUR 3.7m. Operating profit was EUR 0.2m for the quarter. Personnel costs are increasing y/y but other external expenses are decreasing. Operating profit was EUR 0.2m (1.2).

Valuation

As revenues during the quarter were lower than expected, we are adjusting our estimate for the forecast period. Details are provided below. We value Quickbit using a multiple-based approach for 2022-23e. The valuation is augmented with a DCF model. See the complete review in the valuation section. We see a fair value of SEK 6.00-6.20 per share (SEK 7.60-7.80).

Calendar Events		Estimates (EUR)			Risk and Potential		
Bokslutkommunike	2022-08-22	21/22e	22/23e	23/24e	Motivated value	6.0 - 6.2	
Key Figures (EURm)		Sales, mkr	374	486	564	Current price	€0.4
Number of shares	88m	Growth	49%	30%	16%	Risk level	Medium
Market cap	336	EBITDA, mkr	1.9	8.1	14.2	One Year Performance Chart	
Net debt	(9)	EBIT, mkr	(0)	3	9		
EV	327	EPS, adjusted	(0.0)	0.0	0.1		
Free float	82%	EPS growth	(58)%	(285)%	169%		
Average number of daily traded shares	841(k)	Equity/share	0.3	0.3	0.4		
		Dividend/share	0.0	0.0	0.0		
		EBIT margin	(0.1)%	0.7%	1.7%		
		ROE	(6.3)%	10.5%	22.0%		
		ROCE	(1.5)%	10.1%	21.4%		
		EV/Sales	0.1x	0.0x	0.0x		
		EV/EBITDA	12.0x	2.8x	1.6x		
		EV/EBIT	(46.3)x	6.6x	2.4x	Analysts	
		P/E, adjusted	(21.4)x	11.6x	4.3x	hjalmar.jernstrom@penser.se	
		P/Equity	1.4x	1.2x	0.9x		
		Dividend yield	0.0%	0.0%	0.0%		
		FCF yield	8.1%	14.7%	27.0%		
		Net debt/EBITDA	(7.3)g	(2.2)g	(2.0)g		



ERIK PENSER BANK

Penser Access | Financial Conglomerates | Sweden | 17 May 2022

Overview

Extending the product family

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 latest reports mention 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 using a multiple-based approach, with the valuation based on a forward-looking EBIT multiple for 2022/23e. Overall, we value Quickbit at 12x operating profit for the 2022/23 year (13x). This indicates a value per share of SEK 6.00.

We also underpin the valuation of Quickbit with a DCF model for the period of 2022-2030. Going forward, we believe the company will receive a significant contribution from the B2C business, although the business is competitive. Our DCF model uses a discount period up to 2030 and a WACC of 12.5%. We assume a long-term EBIT margin of 10%, supported by high industry margins that are intensifying the competitive situation over time. Our DCF gives a fair value of SEK 7.60 per share. Taken together, we see a fair value of SEK 6.00-6.20 per share (SEK 7.60-7.80), 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 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 in Q3 amounted to EUR 92.1 million, corresponding to growth of 1% y/y. Revenues were lower than our estimate of EUR 112 million because no new customers were added in Q3. In our estimation, this is because Quickbit is focusing its resources on the company's product launches, including the launch of the debit card in Sweden this quarter. We believe Quickbit will have the capacity in the future to continue expanding by adding new merchants.

Estimate changes

Our estimate changes are summarized below. In our view, Quickbit's current B2B revenues via the affiliate business have already shown and will continue to demonstrate resilience against price volatility in underlying crypto-assets. This equips the company to continue driving growth by adding new customers. Revenues are still driven by activity among the company's customers, which are primarily igaming firms. We are adjusting revenues for the current year to reflect the lower than expected number of merchants in Q3. We predict strong contributions from the B2C business in the next two years. We are also making a slight upwards adjustment to operating costs for the next few years.

New estimates	21/22e	22/23e	23/24e
Revenue	374	486	564
EBIT	(0)	3	9

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

Change, %	21/22e	22/23e	23/24e
Revenue	-10%	-8%	-8%
EBIT	N/A	-21%	-10%

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 12.5%. We assume a long-term EBIT margin of 10%, supported by high industry margins that are intensifying the competitive situation over time. Our DCF gives a fair value of SEK 7.60 per share.

Valuation output		WACC assumptions	
Sum of PV of FCF (explicit period)	47	Risk free nominal rate	1,0%
PV of terminal value (perpetuity formula)	8	Risk premium	7,0%
Enterprise value	55	Extra risk premium	2,6%
Latest net debt	-9	Beta	1,2
Minority interests & other	0	Cost of equity	12,5%
Equity value	65	Cost of debt (pre-tax)	2,0%
No. of shares outstanding (millions)	88	Tax rate	21%
Equity value per share (SEK)	7,6	Target debt/(debt + equity)	0%
		WACC	12,5%

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%

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

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. In the light of the multiple contractions in the sector, we are choosing to apply an EBIT multiple of 12x operating profit for 2022/23e. This indicates a fair value of SEK 6 per share. All things considered, we see a new fair value of SEK 6.0- 6.2 per share.

PEER valuation	
Shares	88
Last paid	3,9
Mkt cap	345
Net debt	-9,2
EBIT 2022/23e	3,5
Trgt multiple, EBIT 2023e x	12
Enterprise value	41,8
Trgt mkt cap	51,0
EUR/SEK	10,45
Target price	6,0

Källa: EPB

Income statement

	2018/19*	2019/20*	2020/21*	2021/22e	2022/23e	2023/24e
Revenue	6	13	11	17	27	40
Cost of goods sold	-217	-427	-240	-357	-460	-524
Gross profit	6	13	11	17	27	40
Selling expenses	-1	-3	-6	-8	-9	-9
Admin expenses	0	-1	-2	-4	-5	-6
Other revenue	0	0	0	-3	-1	-2
Other expenses	0	1	0	2	2	2
EBITDA	5	10	2	2	8	14
Depreciation and amortization	0	-1	-1	-2	-5	-5
EBIT	5	9	2	0	3	9
Financial income	0	0	0	0	0	0
Financial expenses	0	0	0	0	0	0
Profit before taxes	5	9	0	0	3	9
Tax	-1	0	-1	-1	-2	-4
Minority interest	0	0	0	0	0	0
Net result	4	8	0	-1	3	7
Net result (adjusted)	4	8	0	-1	3	7

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*	2021/22e	2022/23e	2023/24e
Goodwill	0	0	0	0	0	0
Other intangible assets	14	71	9	10	9	7
Tangible assets	0	1	0	0	0	0
Other fixed assets	0	0	0	0	0	0
Total fixed assets	14	75	9	10	9	7
Other current assets	47	126	15	10	8	8
Cash and cash equivalents	8	21	13	14	18	28
Total current assets	47	126	15	10	8	8
TOTAL ASSETS	83	221	37	34	34	44
EQUITY AND LIABILITIES	0	0	0	0	0	0
Equity	69	189	25	24	26	34
Total equity	69	189	25	24	26	34
Long-term interest bearing liabilities	0	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0	0
Total non-current liabilities	0	0	0	0	0	0
Total current liabilities	14	33	12	10	8	10
Total liabilities	14	33	12	10	8	10
TOTAL EQUITY AND LIABILITIES	83	221	37	34	34	44

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*	2021/22e	2022/23e	2023/24e
Net result	5	9	2	0	3	9
Other non-cash items	46	104	1	1	4	3
Changes in working capital	-43	-89	4	3	0	2
Cash flow from operations	8	24	6	4	7	14
Capex	-4	-27	-3	-3	-3	-3
Free cash flow	3	-3	4	1	4	11
Dividends	0	0	0	0	0	0
Share issue / buybacks	0	16	7	0	0	0
Cash flow from financing	3	0	0	0	0	0
Cash flow	7	13	10	1	4	11
Other non-cash adjustments	0	0	0	0	0	0
Cash & CE	8	21	13	14	18	29

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

Growth and margins

	2019/20*	2020/21*	2021/22e	2022/23e	2023/24e
Sales growth	97%	N/A	49%	30%	16%
EBIT growth	96%	N/A	-131%	-806%	169%
Gross margin	3%	4%	4%	5%	7%
EBITDA margin	2%	1%	1%	2%	3%
EBIT margin	2%	1%	0%	1%	2%

Source: Company reports, EPB

This publication (“the Publication”) has been compiled by Erik Penser Bank (“the Bank”) exclusively for clients of the Bank. The contents are based on information from publicly available sources which have been deemed reliable. No guarantee is extended as to the accuracy and completeness of the contents of the document or the forecasts and recommendations provided therein. The Bank may permit employees of another department or analysed company (“the company”) to read facts or series of facts in order to verify the same. The Bank does not disclose conclusions or assessments included in the Publication in advance. Opinions stated in the Publication are those of the analyst at the time the Publication was prepared and such opinions are subject to change. No assurance is provided that future events will be in accordance with opinions stated in the Publication.

The information in the Publication must not be understood as encouragement or recommendation to enter into transactions. The information does not take into account an individual recipient’s investment knowledge and experience, financial situation, or investment goals. The information thus does not constitute a personal recommendation or investment advice.

The Bank disclaims all liability for direct or indirect loss that may be based upon the Publication. Investments in financial instruments are associated with financial risk. The investment may go up or down in value or become entirely worthless. Past favourable performance of an investment is not a guarantee of future performance.

Fair value and risk

The fair value reflects a value for the share on the day the analysis is published in a range corresponding to approximately 5-10%. The Bank uses several different valuation models to value financial instruments, such as cash flow models, valuation of multiples and breakup value analysis.

The valuation method and the approach for determining the fair value should be apparent in the analysis and may vary from company to company. Significant assumptions used in valuations are based on currently available market data and a scenario for the company’s future development that we consider reasonable. As regards risk, the share is classified on a High-Medium-Low scale based on a number of known parameters relevant to the company. A general guideline for being classified as low risk is that the company has positive cash flow and that no individual factor affects net sales by more than 20%. The corresponding general description of high risk is that the company has not achieved positive cash flow or that an individual factor affects net sales by more than 50%.

The research presented in the Publication was performed in accordance with the terms and conditions of the “Penser Access” service that the Bank performs on behalf of analysed companies. The analysed company remunerates the Bank for the aforementioned service. The fair value and risk classifications are continuously updated. Click here <https://www.penser.se/historiska-analysrekommendationer/> to view the history of investment recommendations issued by the Bank.

General

The Bank’s consent is required to copy or disseminate the Publication in whole or in part. The Publication must not be disseminated or made available to any natural or legal person in the United States of America (other than as provided under Rule 15a–16, Securities Exchange Act of 1934), Canada, or any other country that imposes statutory restrictions on the dissemination and availability of the contents of the material.

The Bank has prepared an Ethics Policy and a Conflicts of Interest Policy. The aim of these policies is to protect against and prevent conflicts between the interests of clients and departments within the Bank. The approach used by the Bank to prevent conflicts of interest includes restrictions on communications (Chinese Walls). The Research Department is physically separated from the Corporate Finance department, which occupies separate premises. The Corporate Finance department is not permitted to participate in the production of a Publication or to express opinions on a Publication. However, there may from time to time exist a client relationship or advisory situation between a company covered in a Publication and a department of the Bank other than the Research Department. The Bank has drawn up internal restrictions concerning when employees are permitted to conduct trades in a financial instrument that is the subject of an Investment Recommendation.

From time to time, the Bank performs assignments for a company that is mentioned in a Publication. The Bank may, for example, be acting as an advisor or issuer agent to the company or as the liquidity guarantor for one of the company’s securities. If such is the case, this has been stated in the Publication. The Bank, its owners, directors, or employees may own shares in companies mentioned in the Publication. All employees of the Bank must report their holdings in securities and must report all transactions. The Bank and its employees comply with guidelines issued by the Swedish Securities Dealers Association concerning employee transactions. The analyst who has prepared Investment Research as referred to in Chapter 11, section 8 of the Swedish Financial Supervisory Authority’s Regulations regarding securities (FFFS 2007:16) and others involved in this work are not permitted to trade on their own account in the covered Financial Instrument or related Financial Instruments in contravention of the applicable recommendation. The Bank’s Compliance Department monitors all employee transactions.

The Bank pays salaries to analysts, which may also consist of a share of the Bank’s profits but which is never linked to the financial performance of another department. Neither the Bank nor the individuals who compiled the Publication have holdings (long or short) in the financial instruments issued by the analysed company that exceed 0.5% of the analysed company’s share capital.

For the company in question, the Bank also conducts research in accordance with the terms of the “Penser Access” paid-for service. Click here <https://epaccess.penser.se/> for more information about this service.

Erik Penser Bank is authorised to conduct securities operations and is under the supervision of the Swedish Financial Supervisory Authority (Finansinspektionen)

Erik Penser Bank (*publ.*)

Apelbergsgatan 27 Box 7405 103 91 STOCKHOLM

tel: +46 8 463 80 00 fax: +46 8 678 80 33 www.penser.se