

Pushpay Holdings Limited (PPH) - US\$ figures				CASE:	Base	DATE:	11/05/2022			
The Story										
Pushpay continues its metamorphosis from an app for digital donation for Churches to a faith business platform, expanding its revenue base and market opportunity through acquisition and internal development. Strong positive and growing free cash flows over recent years has flattened with the recent Resi acquisition putting a dent in the previously capital light and high operating leverage business model. The valuation assumes that this is relatively temporary and that management growth expectations are met via Resi customer cross selling and the new Catholic sector taking off. High software service margins and the scale benefits of operating leverage will see EBITDA margins grow from already high levels to over 40% in 10 years as revenues double from improve market penetration and expansion into new markets offer shareholders strong long term cash flows and a solid										
The Assumptions										
What	Base Year	Terminal Year	Link to story							
Total Processing Vol US\$b	7.6	16.5	The processing volume indicates new customer growth and current customer increased use.							
Revenue Growth	12.1%	3.0%	High growth rates will taper with scale.							
Gross Margin %	68.2%	70.9%	Will shift with products but improved margins from scale will offset lower margin product gr							
EBITDA Margin %	27.1%	40.4%	Increased operating leverage with additional scale							
Tax	25.5%	28.0%	NZ tax rate of 28%							
Capital Spend	410	3,046	Minimal but increasing at 20% a year.							
Share Count Changes	1,129,292	1,260,041	34m shares for Resi acquisition added to FY21 then 1% growth due to ESOP							
Discount% : EV/EBITDA	10.0%	11.00	Average long term market discount rate of 10%. TV based on conservative PE13, 3% growth							
The Cash Flows (A\$'000)										
Year	Dilution	TAM Pen%	Revenue	Gross Margin	%	EBITDA	%	Tax	Capex	FCFF
1	1,140,699	858%	245,070	166,422	67.9%	74,370	30.3%	17,728	492	56,150
2	1,152,106	952%	271,248	184,997	68.2%	88,029	32.5%	21,387	590	66,051
3	1,163,627	1047%	298,277	204,493	68.6%	102,694	34.4%	25,331	708	76,654
4	1,175,263	1141%	325,854	224,753	69.0%	118,248	36.3%	29,528	850	87,870
5	1,187,016	1233%	352,270	244,331	69.4%	133,508	37.9%	33,656	1,020	98,832
6	1,198,886	1319%	376,811	262,690	69.7%	147,435	39.1%	37,406	1,224	108,805
7	1,210,875	1398%	398,762	279,293	70.0%	159,428	40.0%	40,609	1,469	117,350
8	1,222,984	1468%	417,444	293,621	70.3%	168,961	40.5%	43,117	1,763	124,081
9	1,235,214	1527%	432,252	305,205	70.6%	175,559	40.6%	44,797	2,116	128,646
10	1,247,566	1588%	445,735	315,578	70.8%	180,746	40.6%	46,075	2,539	132,133
Terminal	1,260,041	1651%	458,439	325,244	70.9%	185,018	40.4%	47,090	3,046	134,882
The Value (A\$'000)										
Terminal Value (Diluted)			1,824,016	Cashflows discounted for dilution						
PV (Terminal Value)			645,682							
PV (FCFF of next 10yrs)			540,222							
Value of Operating Asset			1,185,904							
Adjustment for Distress			-	Failure Probability = 0% - strong cash flows and capital market support						
Adjustment for Future Options			177,886	Option Case = 15%, product & market expansion (Resi and other opportunities)						
- Debt & Minority Interest			- 54,000							
+ Cash & Equivalents			6,755							
Value of Equity			1,316,544							
Value per share (Base Currency)	\$		1.17	Insider Holding%: 4.5%;6p Rem Report; GlassDoor: Rec 65%, CEO 100% (15 Rev)						
FX Rate			0.750	Current Price	%					
Value per share (A\$)	\$		1.55	\$ 1.15	35%	Long term average FX rate of \$0.75 used				
<i>Source: Methodology and Format are based on that done by Aswath Damodran (see: aswathdamodaran.blogspot.com)</i>										
<i>Disclaimer: Valuation is not to be relied on as financial advice of any sort and is prepared for personal use of the author only.</i>										