

A2B Australia Limited (A2B)				CASE:	BASE	DATE:	5/05/2021			
The Story										
A2B has reinvented itself from the former Cabcharge in the face of the taxi industry disruption brought on by Uber. The business has proven its ability to adapt and survive through this and Covid, as well as being shareholder value focused through capital returns and dividends. I expect the taxi industry to recover from Covid but face headwinds that limit growth. A2B is capital light and effectively a franchisor in the industry with a focus on network management and payment systems for which it continues to invest and develop. While individual divers face a very uncertain future in the industry, payment systems and network management is likely to continue to be needed for on demand personal transport. Current valuations are reasonable for the core business, while future payment systems and network software opportunities offer free option for long term value upside.										
The Assumptions										
What	Base Year	Terminal Year	Link to story							
KPI	-	-	N/A							
Revenue	24.9%	3.0%	Expect only system growth of around 3%							
Gross Margin %	73.5%	82.0%	Exclusion of low margin Licence brokerage leaves a GM% around 82% for core business							
EBITDA Margin %	9.4%	12.3%	Flat from FY23 onwards as costs also forecast to grow at 3%							
Tax	10.4%	27.5%	Australia based							
Capital Spend	16,219	15,979	8m in FY21 increasing by 5%, higher spend would allow for more revenue growth (offset)							
Share Count Changes	120,431	120,431	Share count hasn't changed in the last 10 years, I don't expect it to change for then next 10							
Discount% : EV/EBITDA	10.0%	10.0%	Market risk with very undemanding exit multiple of 10 EV/EBITDA due to growth prospects							
The Cash Flows (A\$'000)										
Year	Dilution	N/A	Revenue	Gross Margin	%	EBITDA	%	Tax	Capex	FCFF
1	120,431	-	149,204	123,767	83.0%	10,081	6.8%	-	1,987	2,069
2	120,431	-	156,664	128,561	82.1%	9,930	6.3%	-	1,553	983
3	120,431	-	175,403	143,929	82.1%	21,738	12.4%	-	1,566	9,148
4	120,431	-	180,650	148,232	82.1%	22,376	12.4%	-	1,609	9,191
5	120,431	-	186,055	152,663	82.1%	23,032	12.4%	-	1,653	9,224
6	120,431	-	191,621	157,228	82.1%	23,708	12.4%	-	1,698	9,247
7	120,431	-	197,355	161,930	82.1%	24,404	12.4%	-	1,745	9,258
8	120,431	-	203,261	166,773	82.0%	25,121	12.4%	-	1,793	9,257
9	120,431	-	209,344	171,761	82.0%	25,860	12.4%	-	1,843	9,242
10	120,431	-	215,609	176,899	82.0%	26,621	12.3%	-	1,894	9,213
Terminal	120,431	-	222,062	182,191	82.0%	27,419	12.3%	-	1,951	13,391
The Value (A\$'000)										
Terminal Value (Diluted)			274,192	No dilution expected based on historical share count.						
PV (Terminal Value)			104,124							
PV (FCFF of next 10yrs)			45,233							
Value of Operating Asset			149,357							
Adjustment for Distress			- 14,936	Failure Probability = 10% Industry risk offset by management adaptability						
Adjustment for Future Options			- 37,339	Option Case = 25% MTI business and payment systems opportunity is just started						
- Debt & Minority Interest			- 1,927							
+ Cash & Equivalents			21,095							
Value of Equity			190,929							
Value per share (Base Currency)			\$ 1.59	Insider Holding%: 24.4% (YahooFinance); GlassDoor: Rec 81%,						
FX Rate			1.000	Current Price	%					
Value per share (A\$)			\$ 1.59	\$ 1.24	28%	Valuation would be \$1.28 if the option was excluded.				
Source: Methodology and Format are based on that done by Aswath Damodran (see: aswathdamodaran.blogspot.com)										
Disclaimer: Valuation is not to be relied on as financial advice of any sort and is prepared for personal use of the author only.										