

Pushpay Holdings Limited (PPH) - US\$ figures				CASE:	Base	DATE:	12/10/2021			
<b>The Story</b>										
<p>Pushpay continues it's metamorphosis from an app for digital donation for Churches to a faith business platform, expanding it's revenue base and market opportunity through acquisition and internal development. Strong positive and growing free cash flows over recent years have validated the capital light and high operating leverage business model. As a platform they have embedded themselves into customer businesses, gaining insights on customer needs and are able to focus on solutions for them and improve their product appeal or expand the product offering leading to growth. High software service margins and the scale benefits of operating leverage will see EBITDA margins grow from already high levels to almost 50% in 10 years as revenues triple from improve market penetration and expansion into new markets offer shareholders strong long term cash flows and a solid investment return.</p>										
<b>The Assumptions</b>										
What	Base Year	Terminal Year	Link to story							
Total Processing Vol US\$b	6.9	28.9	The processing volume indicates new customer growth and current customer increased use.							
Revenue Growth	39.7%	3.0%	High growth rates will taper with scale.							
Gross Margin %	68.4%	68.3%	Will shift with products but improved margins from scale will offset lower margin product growth							
EBITDA Margin %	32.5%	49.3%	Increased operating leverage with additional scale							
Tax	28.1%	28.0%	NZ tax rate of 28%							
Capital Spend	386	2,868	Minimal but increasing at 20% a year.							
Share Count Changes	1,138,632	1,270,462	34m shares for Resi acquisition added to FY21 then 1% growth due to ESOP							
Discount% : EV/EBITDA	10.0%	10.00	Average long term market discount rate of 10%. TV based on conservative PE13, 3% growth							
<b>The Cash Flows (A\$'000)</b>										
Year	Dilution	TAM Pen%	Revenue	Gross Margin	%	EBITDA	%	Tax	Capex	FCFF
1	1,150,133	863%	251,124	166,986	66.5%	88,970	35.4%	22,517	463	65,990
2	1,161,634	1052%	304,331	203,755	67.0%	117,474	38.6%	30,245	556	86,674
3	1,173,251	1263%	361,637	243,236	67.3%	148,833	41.2%	38,776	667	109,390
4	1,184,983	1490%	422,031	284,828	67.5%	182,542	43.3%	47,972	800	133,769
5	1,196,833	1728%	481,454	325,018	67.5%	215,530	44.8%	56,988	960	157,581
6	1,208,801	1970%	540,801	365,376	67.6%	249,140	46.1%	66,192	1,153	181,796
7	1,220,889	2207%	597,861	404,466	67.7%	282,098	47.2%	75,232	1,383	205,483
8	1,233,098	2427%	650,212	440,691	67.8%	312,965	48.1%	83,710	1,660	227,595
9	1,245,429	2622%	695,367	472,388	67.9%	339,553	48.8%	90,998	1,992	246,564
10	1,257,883	2779%	730,963	497,945	68.1%	359,797	49.2%	96,503	2,390	260,904
Terminal	1,270,462	2890%	754,946	515,928	68.3%	372,254	49.3%	99,821	2,868	269,565
<b>The Value (A\$'000)</b>										
Terminal Value (Diluted)			3,336,268	Cashflows discounted for dilution						
PV (Terminal Value)			1,229,462							
PV (FCFF of next 10yrs)			882,282							
Value of Operating Asset			2,111,744							
Adjustment for Distress	-	105,587	Failure Probability = 5% - strong cash flows and capital market support							
Adjustment for Future Options	-	422,349	Option Case = 20%, product & market expansion (Resi and other opportunities)							
- Debt & Minority Interest	-	110,000								
+ Cash & Equivalents		4,843								
<b>Value of Equity</b>		<b>2,323,348</b>								
Value per share (Base Currency)	\$	2.04	<b>Insider Holding%: 4.5%;6p Rem Report; GlassDoor: Rec 65%, CEO 100% (15 Rev)</b>							
FX Rate		0.750	<b>Current Price</b>	<b>%</b>						
<b>Value per share (A\$)</b>	<b>\$</b>	<b>2.72</b>	<b>\$ 1.71</b>	<b>59%</b>	Long term average FX rate of \$0.75 used					
<i>Source: Methodology and Format are based on that done by Aswath Damodran (see: <a href="http://aswathdamodaran.blogspot.com">aswathdamodaran.blogspot.com</a>)</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>										