

Interim Report & Accounts 2023



Boku, Inc.
Interim Report and Accounts
for the half year ended 30 June 2023

Boku provides a global mobile payments network through its mobile-first platform, which reaches over 7 billion consumer payment accounts in more than 90 countries worldwide.

Most things bought online are not bought with cards. They are bought with a variety of different local payment methods, including mobile wallets and account to account/real time payments. There are scores and scores of them. All different and incompatible.

Boku builds custom connections to the most popular ones incorporating bespoke features that help our merchants to enrol more customers and sell more of their products. The mobile-first Payments Network now reaches over 340 payment methods worldwide, enabling merchants to transact and receive funds from 90 countries through a single contract and a single integration.

Boku works with the world's largest merchants. We help them to grow their businesses in every corner of the globe, with payments that reach mobile-first consumers, targeted marketing programs that attract, engage, and retain digital subscription users, and merchant services that ease the complexities of global settlement, compliance, tax, and fraud mitigation.

To learn more about Boku, as well as obtain the latest information of interest to investors and stakeholders, please visit our website at www.boku.com.

Our Customers

Google

Microsoft

amazon

Spotify

NETFLIX

SONY

Meta

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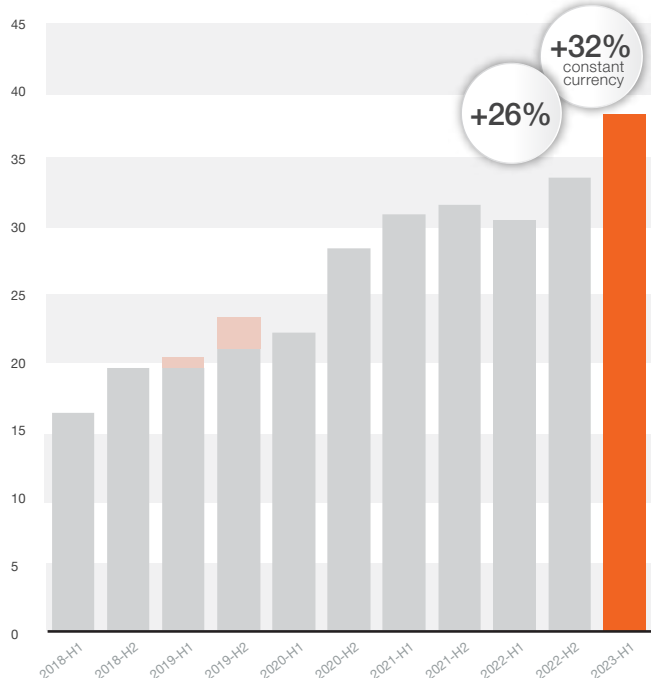
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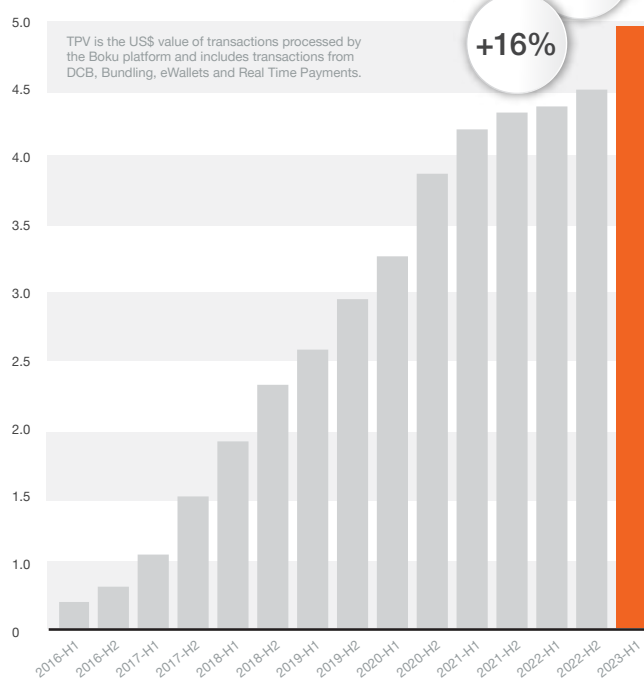
Highlights

Revenue (\$USD millions)

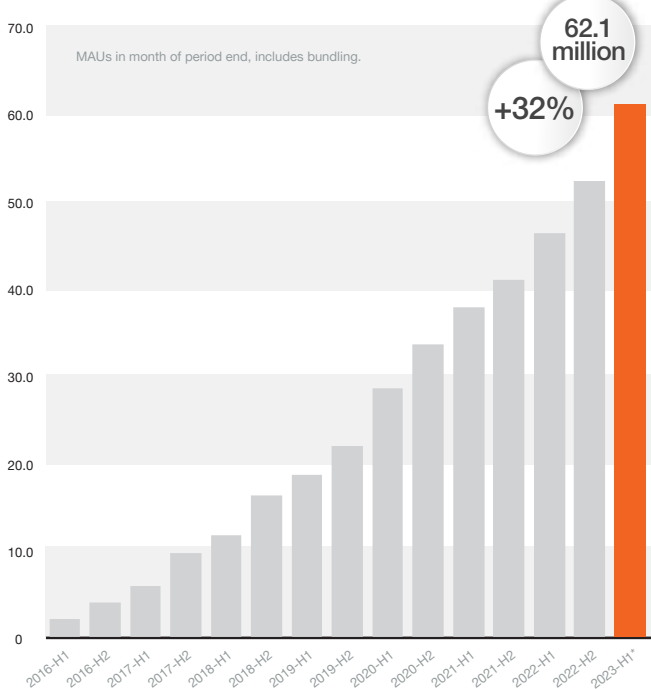
Revenue Non Recurring



Total Payment Volume (\$USD billions)

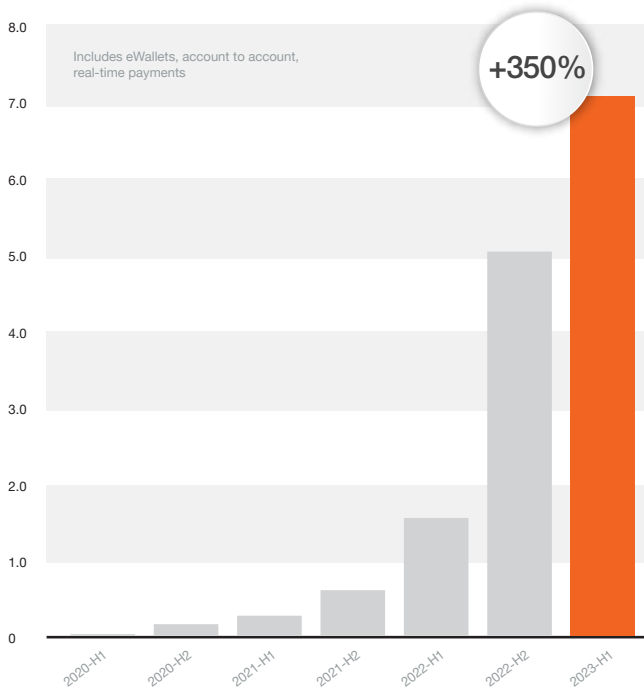


Monthly Active Users (millions)



*includes c. 5m bundling users from a migrated connection

New LPMs Revenue (\$USD millions)



Chief Executive Officer's Report

Boku had a successful start to 2023. The momentum that built throughout the previous year has continued. Revenue growth exceeded 30% in constant currency terms (26% at reported rates), up from 21% in the second half of the previous year (7% at reported rates) and 7% in the first half of 2022 (-1% at reported rates).

This growth has been driven by a more than 3X increase in revenues from Local Payment Methods ("LPMs") such as mobile wallets and account to account based payments ("A2A"). These methods, rather than Direct Carrier Billing ("DCB"), are now the primary driver of our growth and strategic focus. What is particularly pleasing is that this LPM growth is not driven by any one particular customer or sector, but is broadly based across multiple merchants in games, digital advertising, music and video streaming, operating in about a dozen countries. Although we are pleased to announce that we are now live with Amazon in twelve wallets in five countries as we had anticipated, these connections are maturing and do not yet make a significant contribution to revenue – that is yet to come. Our global merchants continue to expand with us into new geographies and we are a trusted partner in their own expansion plans, providing access to ever greater numbers of customers worldwide.

The triple digit growth in LPMs means that eWallets and A2A now account for almost 20% of total revenue. That this growth has not affected the performance in Carrier Commerce (comprising Direct Carrier Billing ("DCB") and Carrier Bundling) has been encouraging too. Revenues from those methods grew at 12% on a constant currency basis (7% at market rates), with Carrier Bundling performance being particularly strong.

All the non-financial indicators are also up and to the right, flashing green: Monthly Active Users ("MAUs") have grown by 32% to exceed 61m. New users – a good leading indicator – in the first half were up by 10% to 32.7 million, with bundling take up being particularly strong. Total Payment Volume ("TPV") was \$5 billion, up 16%. We continued our pace of delivery with around 50 new deployments covering Apple, Amazon, Netflix, Sony, Spotify, Sky and Tencent.



The Journey to the Big Pond

Back in our Annual Report for 2020, I talked about the feeling of trepidation that one gets as one starts at the big school. No longer the big fish in a small pond, you have to make your mark in a bigger pond. Back in 2020, it was an aspiration for Boku to step up and compete with much bigger payment companies. But wanting something and delivering on it are not the same thing. It is now clear that we have moved beyond aspiration: our investments are manifestly starting to pay off.

The Quiet Revolution in Payments

Back in 2020, somewhat unnoticed in North America and Europe, where most electronic payments were made using credit cards like Visa and MasterCard, a quiet revolution was happening in the way that people were paying for things online. The emergent middle classes in Asia, the Middle East, Africa and Latin America were buying online and using a bewildering array of different mobile wallets and account to account based payments methods to do so. And, since most people live in those regions, this fragmented set of new local payment methods (LPMs) collectively came to account for more than half of all online payments. Card usage had grown; the growth of LPMs was greater still.

Chief Executive Officer's Report

Fast forward to today and we can see increased usage of non-card payments even in the card markets in the West. In the UK, many people use Faster Payments to pay their friends and tradesmen; they use Zelle or Venmo in the US for much the same thing. In Sweden, Swish, a mobile payment scheme launched in 2012 is used by more than two thirds of the population and is growing in popularity for purchases from merchants and in the Netherlands, iDeal, a bank based non-card payment method has long been the default online payment tool for the Dutch. In the future, the possibilities of Open Banking in the UK and the EU and the recently launched FedNow in the US could disrupt cards over the longer term. Cards are here to stay, but the era of card dominance is waning.

A substitute not an alternative

Card processors looked at these new payment types and called them Alternative Payment Methods. Boku realised that the billions of people who preferred to pay with Alipay, Dana or UPI or dozens of other mobile wallets or A2A based payment systems did not see them as an alternative to cards. They saw them as a better way to pay. These new payment methods were all that these consumers knew. Being mobile native, using the phone's facial recognition as security and the camera to initiate a transaction from a QR code, seemed natural. It was the simplest, most secure way to pay. It was cards that looked antiquated.

The overlooked opportunity

As a DCB company, some payment companies looked at Boku as a bit of an oddity. DCB worked differently to the payment methods that they normally worked with. DCB was more expensive, settled more slowly, could only be used for digital products and had low transaction limits. Mainstream card processors choose to leave DCB alone, seeing it as an anomaly, a curiosity. They didn't take us that seriously. But Boku understood that mobile network operators could be a valuable source of new customers and persuaded the world's tech giants to adopt the service. Our focus on DCB won us a priceless asset: direct payment integrations to the world's leading digital companies.

Transferable skills: better results, easy to deal with

It turned out that the capabilities developed to work in the fragmented world of DCB, where no two carrier systems were the same, perfectly equipped Boku for the similarly fragmented landscape of local payments. We developed the ability to optimise different connections so that they performed better and helped our merchants to recruit more users and sell more stuff.

If there is one universal law of business - at least in my experience - it is this: there is never enough IT resource. In every company on the planet, the management has to make decisions about which projects to prioritise and which projects don't quite make the cut. We help to fix that. Critical to Boku's success is that we are prepared to do reverse integrations to our merchants. Instead of having to deploy their engineers, our merchants can let the Boku team take some of the burden of connecting their system to the 7.5bn accounts that can be accessed through our Issuer network.

A winning formula

Our formula of being a specialised payment company processing only LPMs for the world's largest digital companies has proved to be very compelling. Most of our biggest merchants - Amazon, Spotify, Netflix, Meta, Tencent - use Boku not just for DCB but also for the newer LPMs and I am increasingly confident of our ability to secure at least some of the wallet and A2A business of other tech giants as well.

A race without end

Business is often described as a race. But that, in my view, is a poor analogy. Races have an end. A defined endpoint. A time when we can say who won, who lost and by how much. If business is a race, it is a race without end. We do report on our progress every so often, but our value is as much about the expectation, the promise of the future, as it is on past results. But careers do have an end: in 2024, the fifteen-year journey that I have travelled with Boku culminating in being CEO for nearly a decade is to end. I will pass on the baton in the continuing relay race to Stuart Neal. He has a long career in payments, including at both Barclaycard and Vocalink. He understands the company's culture. I am confident that he will be able to take the company forward to new heights.

Chief Executive Officer's Report

Growth: a longer perspective

During my time with Boku, we have seen tremendous growth in our business. Annual TPV has grown from less than \$100 million to a \$10 billion run rate. The average number of monthly active users has grown from 1.4 million to exceed 60 million. Monthly transactions processed now exceed 100 million, up from around 2 million. The Company has become profitable and cash generative. Business is a team sport and the job of the CEO, in large measure, is to pick the team and take credit for other people's work. I have been blessed to work with many talented people and those people will continue, alongside Stuart, to help drive the Company's fortunes forward. In a very real sense, the true measure of a CEO's tenure is not to be seen in the numbers and percentages achieved during his time at the helm but, rather, from how the Company performs after he has departed.

Outlook

As I move from an executive to a non-executive position, I continue to believe that Boku's best days are ahead of it. With the strong momentum that we currently enjoy, our relationships with merchants and expertise in optimising specialised payment types, the opportunities presented by A2A and the leadership provided by Stuart and the rest of the management team, I have strong conviction that the company will continue to go from strength to strength and achieve the targets set out at our capital markets day.

Jon Prideaux

Chief Executive Officer

26 September 2023

Chief Financial Officer's Report

The first half of 2023 saw extremely strong performance with revenues up 26% to \$38.2 million (and up 32% in constant currency) as we started to reap the rewards of our investment in moving into Local Payment Methods for global merchants, and a 28% jump in Adjusted EBITDA to \$12.2 million as the operating leverage inherent in our model came through.

These results were underpinned by a 32% increase in monthly active users to 61.2 million in the first half (H1 2022: 46.3 million) as we continue to add connections for our global merchants to new payments methods and into new geographies. 32.7 million new users made their first payment or bundling transaction with Boku during the first half of the year.

We completed almost 50 new launches for DCB, eWallets and A2A in H1 2023 with existing and new merchants including Apple, Amazon, Netflix, Sony, Spotify, Sky and Tencent. Launches took place in 18 countries across Asia, Europe and the Middle East; two thirds were for LPMs. These drove a 16% increase in Total Payment Volume ("TPV")² to \$5.0 billion (H1 2022: \$4.3 billion).

Much of the strong revenue growth in the first half was driven by the exceptional growth in LPMs, including eWallets and A2A, where revenue increased 350% to \$7.2m up from \$1.6m in the first half of 2022. Monthly active users increased 122% to over 4.7 million in June 2023, compared to the same period in 2022. New users of LPMs increased by over 100% to 6.3 million in H1 2023 (up from 3.1 million in the same period in 2022). Our 'mobile-first' payments network expanded to reach over 7.5bn end user accounts, 46% of which are non-DCB.

Financial review

Following the disposal of Boku's Identity division on 28 February 2022 the prior year comparative Condensed Consolidated Statement of Comprehensive income includes revenues and Adjusted EBITDA relating only to the continuing Payments business.



Group Condensed Consolidated Statement of Comprehensive income to Adjusted EBITDA¹

Revenues increased by 26% to \$38.2 million (H1 2022: \$30.3 million) and up 32% on a constant currency basis, with Adjusted EBITDA¹ increasing 28% to \$12.2 million in the first half (H1 2022: \$9.5 million) reflecting the strong revenue growth combined with our continued planned investment in our mobile-first payments platform. Gross margins for the continuing Payments business remained at 97% (2022: 97%).

Average take rate (revenue divided by TPV) increased slightly to 0.76% as a result of higher take rates from LPMs. Our merchant relationships and connections remain highly 'sticky' and as a result, since IPO, Boku has not lost a material merchant.

Adjusted operating expenditure³ increased as per our stated strategy, as we invested in our expanded 'mobile-first' payments network, which now includes eWallets and A2A, with planned increases in operational headcount and sales and marketing spend as Boku moves into new markets. However, the operational leverage inherent in our platform business remains strong and, as a result, we expect Payments Adjusted EBITDA¹ margins to increase over the medium term as outlined in our Capital Markets Day presentation in February this year.

Chief Financial Officer's Report

Adjusted Operating Expenditure (Payments only)³

	Unaudited Period ended 30-Jun 2023 \$'000	Unaudited Period ended 30-Jun 2022 \$'000
Gross profit	36,858	29,379
Adjusted EBITDA ¹	(12,216)	(9,506)
Adjusted Operating Expenditure	24,642	19,873

Identity division (discontinued)

Boku's Identity division was divested during the first half of 2022 to Twilio. We received the final indemnity holdback payment from Twilio in full on 05 September 2023 and there are no further balances due.

Group Operating Profit [from Continuing Operations]

Group operating profit for H1 2023 was \$2.1 million compared to \$4.1 million for the same period in 2022. This can be broken down as follows:

- Other income of \$0.1 million relates to income from providing ongoing accounting services to Twilio following the sale of the Identity business in February 2022 to enable a smooth transition. These services and associated fees ended in April 2023. This amount has been excluded from Adjusted EBITDA¹ as a non-trading, non-recurring item. The H1 2022 comparative of \$0.4 million also related to the provision of the same services to Twilio.
- Gross margin increased to \$36.9 million (H1 2022: \$29.4 million) with gross margin percentage stable at 97% (H1 2022: 97%)
- Depreciation and Amortisation charges increased marginally to \$3.1 million (H1 2022: \$2.7 million)
- Share Based Payments expense increased to \$4.0 million in H1 2023 from \$1.9 million in H1 2022 primarily because the number of share awards increased in line with our increased staff headcount and the effect of a of a National Insurance accrual as a result of the lower share price at that period end. Boku has a policy of making annual RSU awards to all staff which vest in full after three years. These share awards are planned to be satisfied from treasury stock as part of Boku's share buyback programme. See Consolidated Statement of Financial Position and Condensed Consolidated Statement of Cash Flows section below.
- Foreign exchange movements resulted in a loss of \$3.13 million made up of realised and unrealised losses primarily on revaluation of non USD balances during the period (H1 2022: \$0.06 million gain)
- Exceptional Items in the period were \$0.018 million credit which relates to the fair value movement at the period end in relation to the Amazon warrants (see note 7) (2022: expense \$1.26 million). The 2022 comparative period charge related to the impairment of the intangible relating to the Fortumo 'brand' which was discontinued in that period. There were no Amazon warrants at 30 June 2022 the comparative prior period end.
- Financing expenses decreased to \$0.15 million in H1 2023 (H1 2022: \$0.52 million).

1. Adjusted EBITDA (Earnings before interest, taxation, depreciation and amortization): Adjusted for stock option expenses, Foreign exchange gains/losses and Exceptional items. See reconciliation to profit per the income statement

2. TPV is the US\$ value of transactions processed by the Boku platform

3. Adjusted operating expenditure is Gross Profit less Adjusted EBITDA

Chief Financial Officer's Report

Net Profit after tax

- The Group reported a net profit after tax of \$1.8 million for the period (H1 2022: \$28.0 million which was primarily driven by profit from the discontinued Identity division of \$24.6 million).

Condensed Consolidated Statement of Financial Position and Condensed Consolidated Statement of Cash Flows

- Group cash balances were \$113.9 million on 30 June 2023 up from \$67.8 million on 30 June 2022 and slightly down from 31 December 2022 of \$116.6 million. The Group is debt free.
- The average daily cash balance, a measure which smooths out the effect of carrier and merchant payments, was \$105.8 million in June 2023, up from \$98.8 million in 31 December 2022 and up from June \$63.3 million in June 2022.
- In the second half of 2022 Boku commenced a 'share buyback' scheme to purchase its own shares to cover employee RSU awards annually so that the annual RSU awards are non-dilutive to shareholders. In the first half of 2023 we purchased 3,088,359 shares for a total consideration of £4,416,626.
- Intangible assets

	Unaudited Period ended 30-Jun 2023 \$'000	Unaudited Period ended 31-Dec 2022 \$'000
Goodwill	41,978	41,733
Other intangibles	15,204	14,497
Intangible assets	57,182	56,230

We assessed our goodwill and other remaining intangibles for impairment and deemed that there were no indicators of impairment at 30 June 2023.

- Deferred tax asset
During the course of our change in auditors to PWC, it was identified that there was an under-recognised deferred tax asset from prior years. Accordingly, the opening balances in the Condensed Consolidated Statement of Changes in Equity for years ended 31 December 2021 and 31 December 2022 have been restated. Please see note 9 for full details.

Principal Risks and Uncertainties

Since the end of 2022, the Board have been monitoring and mitigating the effects of global events on the Group's business, including the global macro-economic environment, inflation and the cost of living crisis across Europe and believe the principal risks and uncertainties facing the Group remain consistent with the Principal Risks and Uncertainties reported in Boku's 2022 Annual Report. Boku is an international business operating in 92 countries so any risk is spread and to date Boku has seen no discernible impact from the macro-economic environment. Boku charges a percentage of its merchants' transaction value, so as its merchants' increase prices, Boku's revenues increase.

Going concern

In reaching their going concern assessment, the Directors have considered the foreseeable future, a period extending at least 12 months from the date of approval of this interim financial report. This assessment has included consideration of the forecast performance of the business, as noted above and the cash and financing facilities available to the Group. Considering all this analysis, the Directors are satisfied that the Group has sufficient cash resources over the period of at least 12 months from the date of approval of the condensed consolidated interim financial statements. As such, the condensed consolidated interim financial statements have been prepared on a going concern basis.

Looking forward

These results show that Boku's strategic investment into adding connections to Local Payment Methods globally for our major international digital merchants is paying off and we expect the strong growth we have seen in the period to continue. This has resulted in a strong return to Adjusted EBITDA growth as a result of the operating leverage inherent in our platform business.

Keith Butcher

Chief Financial Officer

26 September 2023

Cautionary Statement

Boku has made forward-looking statements in this financial information, including statements about the market and benefits of its products and services; financial results; product development plans; the potential benefits of business relationships with third parties and business strategies. The Group considers any statements that are not historical facts as “forward-looking statements”. They relate to events and trends that are subject to risk and uncertainty that may cause

actual results and the financial performance of the Group to differ materially from those contained in any forward-looking statement. These statements are made by the directors in good faith based on the information available to them and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors underlying any such forward-looking information.

Condensed Consolidated Statement of Comprehensive Income

		(Unaudited) Period ended 30-Jun 2023 \$'000	(Unaudited) Period ended 30-Jun 2022 \$'000
Continuing Operations	Note		
Revenue	3	38,174	30,339
Cost of sales		(1,316)	(960)
Gross profit		36,858	29,379
Other Income (non-recurring)	3	103	385
Administrative expenses		(34,836)	(25,692)
Operating profit analysed as:			
Adjusted EBITDA*		12,216	9,506
Other Income	3	103	385
Depreciation and amortisation		(3,102)	(2,718)
Share based payments expense		(3,978)	(1,898)
Foreign exchange (loss)/gain		(3,132)	61
Exceptional items		18	(1,264)
Operating profit		2,125	4,072
Finance income		474	81
Finance expense		(150)	(518)
Profit before tax		2,449	3,635
Tax expense		(649)	(216)
Net Profit from continuing operations		1,800	3,419
Discontinued operations			
Profit from discontinued operations after tax		-	24,605
Total Profit for the year		1,800	28,024
Other comprehensive profit/(losses) net of tax			
Items that may be reclassified to profit or loss			
Foreign currency translation gain/(loss)		1,141	(3,978)
Total other comprehensive gain/(loss) for the period		1,141	(3,978)
Total comprehensive profit for the period attributable to equity holders of the parent company		2,941	24,046
EPS - Total			
Basic EPS (\$)		0.0060	0.0941
Diluted EPS (\$)		0.0055	0.0921
EPS from continuing operations			
Basic EPS (\$)		0.0060	0.0115
Diluted EPS (\$)		0.0055	0.0112

*Adjusted EBITDA (Earnings before interest, taxation, depreciation, amortisation): Adjusted for share-based payment expense, foreign exchange gains/(losses), exceptional items and 'other income' in 2023 and 2022. See reconciliation to profit per income statement.

The accompanying notes are an integral part of these condensed consolidated financial statements.

Consolidated Statement of Financial Position

	Note	(Unaudited) 30-Jun 2023 \$'000	(Audited) 31-Dec 2022 \$'000 Restated
Non-current assets			
Property, plant and equipment		654	696
Right of use assets		3,084	3,662
Intangible assets		57,182	56,230
Warrant contract asset	7	2,677	1,519
Deferred tax assets		15,991	16,481
Total non-current assets		79,588	78,588
Current assets			
Trade and other receivables		97,264	90,080
Financial asset at fair value through profit or loss		5,600	5,600
Warrant contract asset		196	192
Cash and cash equivalents – unrestricted	5	99,167	99,551
Cash and cash equivalents – restricted cash		14,699	16,962
Total current assets		216,926	212,385
Total assets		296,514	290,973
Current liabilities			
Trade and other payables		159,767	156,263
Current tax payable		216	222
Lease liabilities		1,374	1,277
Bank Loans		–	–
Total current liabilities		161,357	157,762
Non-current liabilities			
Other payables		1,331	1,194
Deferred tax liabilities		–	–
Warrant liabilities	7	6,427	5,206
Lease liabilities		1,835	2,272
Bank Loans		–	–
Total non-current liabilities		9,593	8,672
Total liabilities		170,950	166,434
Net assets		125,564	124,539
Equity attributable to equity holders of the company			
Share capital		29	29
Other reserves		250,976	252,385
Foreign exchange reserve		(5,149)	(6,290)
Treasury share reserve		(2,018)	(1,835)
Retained losses		(118,274)	(119,750)
Total equity		125,564	124,539

The accompanying notes are an integral part of these condensed consolidated financial statements

Condensed Consolidated Statement of Changes in Equity

	Share capital	Other reserves	Treasury shares reserve	Foreign exchange reserve	Retained losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity as at 1 January 2022 as previously reported	29	246,883	–	(2,714)	(161,752)	82,446
Impact of correction	–	–	–	–	14,828	14,828
Equity as at 1 January 2022 (restated)	29	246,883	–	(2,714)	(146,929)	97,274
Profit for the period	–	–	–	–	28,024	28,024
Other comprehensive expense	–	–	–	(3,978)	–	(3,978)
Issue of share capital upon exercise of stock options	–	315	–	–	–	315
Share based payment expense	–	2,352	–	–	–	2,352
Equity as at 30 June 2022 (restated)	29	249,550	–	(6,692)	(118,900)	123,988

	Share capital	Other reserves	Treasury shares reserve	Foreign exchange reserve	Retained losses	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Equity as of 31 December 2022 as previously reported	29	252,385	(1,835)	(6,290)	(132,848)	111,441
Impact of correction	–	–	–	–	13,098	13,098
Equity as at 31 December 2022 (restated)	29	252,385	(1,835)	(6,290)	(119,750)	124,539
Profit for the period	–	–	–	–	1,800	1,800
Other comprehensive income	–	–	–	1,141	–	1,141
Issue of share capital upon exercise of stock options	–	40	–	–	–	40
Share based payment expense	–	3,559	–	–	–	3,559
Deferred tax asset adjustment	–	–	–	–	(55)	(55)
Purchase of treasury shares	–	–	(5,460)	–	–	(5,460)
Issue of treasury shares to employees	–	(5,008)	5,008	–	–	–
Loss on treasury shares	–	–	269	–	(269)	–
Equity as at 30 June 2023	29	250,976	(2,018)	(5,149)	(118,274)	125,564

The accompanying notes are an integral part of these condensed consolidated financial statements

Condensed Consolidated Statement of Cash Flows

	Note	(Unaudited) Period ended 30-Jun 2023 \$'000	(Unaudited) Period ended 30-Jun 2022 \$'000
Cash generated from/(used in) operations	6	2,235	(7,761)
Income taxes paid		(118)	(185)
Net cash generated from/(used in) operating activities		2,117	(7,946)
Investing activities			
Purchase of property, plant and equipment		(133)	(104)
Capitalised software development		(2,617)	(2,677)
Proceeds from discontinued operations (net of cash disposed)		–	25,790
Proceeds from sale of assets		–	1
Interest received		474	81
Net cash used (in) / from investing activities		(2,276)	23,091
Financing activities			
Payment of principal to lease creditors		(625)	(649)
Payment of interest to lease creditors		(99)	(130)
Issue of share capital on exercise of options and RSUs		40	315
Interest paid on borrowings		(51)	(76)
Purchase of treasury shares		(5,460)	–
Cash received on exercise on sale options		2,333	–
Loan settlement costs		–	(25)
Repayment of line of credit		–	(8,125)
Net cash used in financing activities		(3,862)	(8,690)
Net (decrease)/increase in cash and cash equivalents		(4,021)	6,455
Effect of foreign currency translation on cash and cash equivalents		1,374	(1,096)
Cash and cash equivalents at beginning of period		116,513	62,440
Cash and cash equivalents at end of period		113,866	67,799

The accompanying notes are an integral part of these condensed consolidated financial statements

Notes to the Consolidated Financial Information

1. Corporate Information

The condensed consolidated interim financial statements represent the results of Boku Inc. (the “Company”) and its subsidiaries (together referred to as the “Group”).

Boku Inc. is a company incorporated and domiciled in the United States of America. The business office of the Company is located at 660 Market St, Suite 400, San Francisco, CA 94105, United States.

The Company’s shares are quoted on the AIM Market of the London Stock Exchange (“AIM”).

The principal business of the Group is the provision of local payment solutions for its merchants. These solutions enable merchants to accept online payments, especially on mobile devices. Boku’s payments network provides multiple mobile payment methods, including via mobile wallets, direct carrier billing and real-time payment schemes.

The Board of Directors approved the condensed consolidated interim financial statements on 25 September 2023.

2. Basis of preparation and accounting policies

The condensed consolidated interim financial statements have been prepared using accounting policies consistent with international accounting standards. While the financial figures included in this half-yearly report have been computed in accordance with international accounting standards applicable to interim periods. This condensed consolidated interim financial report for the half-year reporting period ended 30 June 2023 has been prepared in accordance with International Accounting Standard 34, ‘Interim Financial Reporting’. The interim report does not include all of the notes of the type normally included in an annual financial report.

They do not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the Annual Report and Financial Statements for 2022. The financial information for the half years ended 30 June 2023 and 30 June 2022 does not constitute full financial statements and both periods are unaudited.

The annual financial statements of Boku Inc., (the “Group”) are prepared in accordance with IFRS as issued by the IASB. The Annual Report and Financial Statements for 2022 have been issued and are available on the Group’s investor relations’ website: <https://investors.boku.com/reports-documents>. The Independent Auditors’ Report on the Annual Report and Financial Statements for the year ended 31 December 2022 was unqualified and did not draw attention to any matters by way of emphasis.

The same accounting policies, presentation and methods of computation are followed in these condensed consolidated interim financial statements as were applied in the Group’s latest annual audited financial statements, except for the income tax which is recognised based on management’s estimate of the weighted average effective annual income tax rate expected for the full financial year and those that relate to new standards and interpretations effective for the first time for periods beginning on (or after) 1 January 2023 and will be adopted in the 2023 financial statements. There are deemed to be no new and amended standards and/or interpretations that will apply for the first time in the next annual financial statements that are expected to have a material impact on the Group.

Notes to the Consolidated Financial Statements

Going concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. The Group meets its day-to-day working capital requirements through its own cash balances and has a bank facility that it can use.

The Directors have prepared cash-flow forecasts covering a period of at least 12 months from the date of approval of the financial statements, with the forecasts and projections, taking account of reasonable possible changes in trading performance. They show that the Group expects to be able to operate within the level of its current cash resources and bank facilities.

Furthermore, in carrying out the going concern assessment, the directors have considered a number of scenarios, including changes in sales volumes and the timing of settlement of existing debts together with cost savings associated with these changes and the directors have the ability to identify cost savings if necessary, to help mitigate any impact on cash outflows.

Having assessed the principal risks and the other matters discussed in connection with the going concern statement, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and for at least 12 months from the date of approval of these financial statements. For these reasons, they continue to adopt the going concern basis of accounting and deem there to be no emphasis over going concern, in preparing the financial information.

Adjusted financial measure/Non-GAAP

Management regularly uses adjusted financial measures internally to understand, manage and evaluate the business and make operating decisions. These adjusted measures are among the primary factors management uses in planning for and forecasting future periods. The primary adjusted financial measures are EBITDA, Adjusted EBITDA, Adjusted Operating expenses and Constant currency revenues which management considers are relevant in understanding the Group's financial performance.

Management uses the adjusted financial measures by excluding certain one-off items from the actual results. The determination of whether one-off material or non-recurring items should form part of the adjusted results is a matter of judgement and is based on whether the inclusion/exclusion from the results represent more closely the consistent trading performance of the business. The definitions of adjusted items and underlying adjusted results are disclosed at the end of this report.

Accounting estimates, assumptions and judgements

In preparing these Condensed Consolidated financial statements, the Group has made its best estimates and judgements of certain amounts included in the financial statements, giving due consideration to materiality. The Group regularly reviews these estimates and judgements and updates them as required. Actual results could differ. Unless otherwise indicated, the Group does not believe that there is a significant risk of a material change to the carrying value of assets and liabilities within the next financial year related to the accounting judgements and assumptions described below. The Group considers the following to be a description of the most significant estimates and judgements, which require the Group to make subjective and complex judgements related to matters that are inherently uncertain.

Notes to the Consolidated Financial Statements

3. Revenue

The Group's revenue is principally its service fees earned from its merchants. All revenue is earned at the time the transaction is processed and as a result, all revenue is recognised at that point in time. The group has only one continuing operating segment, the Payments business segment.

	(Unaudited) 30-Jun 2023 \$'000	(Unaudited) 30-Jun 2022 \$'000
Revenue from continuing operations		
Revenue arises from:		
Provision of services	38,174	30,339

Income earned from performing accounting services for the buyer of Boku's Identity business, (sold on 28 February 2022), for the period 1 January 2023 to 30 June 2023 has been recorded as 'Other income' and amounted to \$103,392. Prior year 'Other Income' relates to performing the same accounting services for the period 1 March 2022 to 30 June 2022.

On 16 September 2022, the Group entered into a stock warrant agreement with Amazon in conjunction with a commercial service level agreement for the Group to provide payment processing services to Amazon. The group outlines a detailed explanation of the Amazon warrants and the accounting policy for warrants and the valuation method used, in the Group's most recent 2022 Annual Report (please refer to Note 3 for Accounting estimates, assumptions and judgements and Note 4 for Revenue from contracts with customers in the Annual Report and Accounts for the year ended 31 December 2022).

(<https://wp-boku-2020.s3.eu-west-2.amazonaws.com/media/2023/06/Boku-Annual-Report-2022.pdf>).

A reduction of revenue related to the Amazon contract assets amortization of \$76,492 was recorded for the period 1 January 2023 to 30 June 2023 (see Note 7 for more details).

4. Key management personnel costs

	(Unaudited) 30-Jun 2023 \$'000	(Unaudited) 30-Jun 2022 \$'000
Salaries	2,036	1,620
Short-term employee benefits (health insurance)	50	48
Social Security costs	686	366
Share based payments expense	1,605	1,246
Long term employee benefits (pension)	8	9
	4,385	3,289

Notes to the Consolidated Financial Statements

5. Cash and cash equivalents and restricted cash

	(Unaudited) 30-Jun 2023 \$'000	(Audited) 31-Dec 2022 \$'000
Cash and cash equivalents	99,167	99,551
Restricted cash	14,699	16,962
Total cash	113,866	116,513

Restricted cash primarily includes money received but not yet paid to merchants (segregated funds, in transit), for Boku's licenced entities, cash held in the form of a letter of credit to secure a lease agreement for the Company's San Francisco office and a certificate of deposit held at a financial institution to collateralize Company credit cards.

6. Cash from operations

	(Unaudited) 30-Jun 2023 \$'000	(Unaudited) 30-Jun 2022 \$'000
Profit after tax	1,800	28,024
Add back:		
Tax expense	649	216
Amortisation of intangible assets	2,061	1,935
Depreciation of property, plant and equipment	1,041	1,021
Loss on disposal of property, plant and equipment	2	3
Finance income	(474)	(81)
Finance expense (includes interest on lease liabilities)	150	518
Fair value adjustment on warrants valuation	(18)	–
Gain on discontinued operations	–	(26,614)
Amortization of warrant asset	76	–
Foreign exchange (gain)/loss	(707)	855
Impairment of intangible assets	–	1,264
Employer taxes on stock options and restricted stock units (accrual release)	(113)	(1,205)
Share based payment expenses	3,559	2,352
Cash from operations before working capital changes	8,026	8,288
Increase in trade and other receivables	(3,012)	(6,253)
Decrease in trade and other payables	(2,779)	(9,796)
Cash from/(used in) operations	2,235	(7,761)

The share based payment expense has been split between the charge using the Black Scholes method for the period (\$3,558,760) and the change in the accrual for employer taxes on stock option and restricted stock units (-\$113,250). The total share based payment expense in the Condensed Consolidated Statement of Comprehensive Income includes \$532,424 employer taxes paid via payroll to tax authorities (30 June 2022: \$406,087).

The impairment of intangible assets in the 2022 comparative relates to the full impairment of the Fortumo trade name which was discontinued in the period.

Notes to the Consolidated Financial Statements

7. Amazon warrants

On 16 September 2022, the Group entered into a stock warrant agreement with a subsidiary of Amazon Inc, Amazon.com NV Investment Holdings LLC ('Amazon') in conjunction with a commercial service level agreement for the Group to provide payment processing services to Amazon.

Under the agreement, the Group issued warrants to Amazon allowing them to purchase common stock that will vest incrementally, based on the amount of revenue earned by the Group from Amazon via Boku payment processing methods. The full details of the award are disclosed in Note 25 of the Annual Report and Accounts for the year ended 31 December 2022. There have been no changes to the agreement. The warrant agreement grants Amazon the right to acquire up to 11,215,142 shares of common stock in the Group (equivalent to 3.75% of the Group's total common stock as at the inception of the warrant agreement). 747,676 shares of common stock vested immediately on the signing of the warrant agreement on 16 September 2022. 209,350 additional shares of common stock will vest for every \$1 million of 'qualifying' revenue generated by the Group under its service level agreement with Amazon over a seven year vesting period ending 15 September 2029. No further warrants will vest if \$50 million of qualifying revenue is generated under the service level agreement, which results in a final vesting increment of 209,316 shares of common stock. The exercise price of vested warrants is 81.20p per share, based on the 30-day volume weighted average trading price as at 16 September 2022.

The increase in fair value from 31 December 2022 to 30 June 2023 was primarily due to an increase in the number of warrants expected to vest from 4,992,086 to 6,180,045. The warrants are classified as Level 3 derivative liabilities as there is no current market for the warrants, such that the determination of fair value requires significant judgment or estimation. The Group values the warrants using a combination of Monte Carlo Simulation and Black-Scholes Model valuation methods.

A significant increase, in isolation, in volatility used in arriving at the fair value of warrants as at 30 June 2023 would result in a significant change in fair value. If equity volatility and revenue volatility were both to decrease by 5% to 35% and 25% respectively, the total fair value of warrants would decrease to \$6,192,405, representing a decrease in fair value of \$234,842. If equity volatility and revenue volatility were both to increase by 5% to 45% and 35% respectively, the total fair value of warrants would increase to \$6,705,349, representing an increase in fair value of \$278,102.

The group outlines a detailed explanation of the Amazon warrants and the accounting policy for warrants and the valuation method used, in the Group's most recent annual report (please refer to Note 3 Accounting estimates, assumptions and Judgements, Note 4 Accounting policies and Note 25 Warrants in the Annual Report and Accounts for the year ended 31 December 2022).

<https://wp-boku-2020.s3.eu-west-2.amazonaws.com/media/2023/06/Boku-Annual-Report-2022.pdf>

8. Extended Share buyback programme

On 8 June 2023, the Board of directors approved an extension to its share buyback programme, which commenced on 7 July 2022, for a further 12 months from the expiry of the original programme term. The purpose of the Buyback Programme is to hold the Common Stock in treasury for the purpose of satisfying future obligations in relation to the staff equity remuneration programme.

The extended programme will involve the purchasing of common stock with par value of \$.0001 per share in the capital of the Company ("Common Stock") up to an additional maximum aggregate consideration of £10.5 million and up to an additional maximum of 5.25 million Common Stock (the "Extended Buyback Programme").

The Company instructed Peel Hunt LLP, the Company's broker, to conduct the Extended Buyback Programme on its behalf. The Buyback programme will be effected within certain pre-set parameters, including that the maximum price paid per Common Stock shall be 105 per cent. of the trailing 5 day average mid-market price, and in accordance with the authority granted by the Company's Board (the "Authority").

The programme is effective from 8 June 2023 and will expire on 30 June 2024, or earlier, if either the maximum aggregate number of Common Stock have been purchased or the maximum aggregate consideration has been reached.

Notes to the Consolidated Financial Statements

9. Deferred tax asset

During the course of our change in auditors, it was identified that there was an under-recognised deferred tax asset from prior years. Accordingly, the opening balances in the Condensed Consolidated Statement of Changes in Equity for years ended 31 December 2021 and 31 December 2022 have been restated. The year ended 31 December 2021 has increased deferred tax assets recognised from \$2.47 million to \$17.48 million and the year ended 31 December 2022 has increased deferred tax assets recognised from \$3.38 million to \$16.48 million. The net deferred tax asset recognised as at 30 June 2023 is \$15.99 million.

10. Post Balance Sheet Events

On 5 September 2023 the Company received \$5,600,000 from Twilio which represented full payment of the final indemnity holdback payment due on the disposal of Boku's Identity business and which is included in current assets in the Condensed Consolidated Statement of Financial Position.

Non-GAAP Financial measures (alternative performance measures)

Management present non-GAAP financial measures because they believe that these and other similar measures are widely used by certain investors, securities analysts and other interested parties as supplemental measures of performance and liquidity. These measures are also used internally to establish forecasts, budgets and operational goals to manage and monitor the business, as well as to evaluate the Group's underlying historical performance. Management believes that these non-GAAP financial measures depict the true performance of the business by encompassing only relevant and controllable events, enabling us to evaluate and plan more effectively for the future.

The primary adjusted financial measures are EBITDA, Adjusted EBITDA, Adjusted Operating expenses and Constant currency measures (Revenue only), which management considers are relevant in understanding the Group's financial performance.

We define "**EBITDA**" as net income / (loss) for the year, less discontinued operations gains, net of tax, before finance expenses (including finance costs related to lease liabilities), depreciation and amortisation (including depreciation of right-of-use assets), and income tax expense / (benefit).

We define "**Adjusted EBITDA**" as EBITDA before the effect of the following items: foreign exchange losses share based payments expense, non recurring income and exceptional costs (see note 8). We use Adjusted EBITDA internally to establish forecasts, budgets and operational goals to manage and monitor our business, as well as evaluate our underlying historical performance. We believe that Adjusted EBITDA is a meaningful indicator of the health of our business as it reflects our ability to generate cash that can be used to fund recurring capital expenditures and growth. Adjusted EBITDA from continuing operations also disregards non-cash or non-recurring charges (exceptional costs) that we believe are not reflective of our long-term performance. We also believe that Adjusted EBITDA is widely used by investors, securities analysts and other interested parties as a supplemental measure of performance and liquidity.

We define "**Adjusted Operating expenses**" as Gross profit less Adjusted EBITDA (as defined above).

Constant currency measures (Revenue only) are calculated by applying the monthly average foreign exchange rates for each month of 2022 to the actual 2023 monthly results.

Average daily cash balance is a measure which removes the daily cash balances fluctuations and is used by management because it reflects better the effect of carrier and merchant payments on the month end balances.

Independent review report to Boku, Inc.

Report on the condensed consolidated interim financial statements

Our conclusion

We have reviewed Boku, Inc.'s condensed consolidated interim financial statements (the "interim financial statements") in the interim results of Boku, Inc. for the period from 1 January 2023 to 30 June 2023 (the "period").

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting' as issued by the IASB, and the AIM Rules for Companies.

The interim financial statements comprise:

- the Condensed Consolidated Statement of Financial Position as at 30 June 2023;
- the Condensed Consolidated Statement of Comprehensive Income for the period then ended;
- the Condensed Consolidated Statement of Cash Flows for the period then ended;
- the Condensed Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the interim financial information of Boku, Inc. have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as issued by the IASB and the AIM Rules for Companies.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom ("ISRE (UK) 2410"). A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the interim financial information and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the directors have inappropriately adopted the going concern basis of accounting or that the directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410. However, future events or conditions may cause the group to cease to continue as a going concern.

Independent review report to Boku, Inc.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The interim financial information, including the interim financial statements, is the responsibility of, and has been approved by the directors. The directors are responsible for preparing the interim financial information in accordance with the AIM Rules for Companies which require that the financial information must be presented and prepared in a form consistent with that which will be adopted in the company's annual financial statements. In preparing the interim financial information, including the interim financial statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the interim financial information based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the AIM Rules for Companies and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP

Chartered Accountants

London

25 September 2023



Boku, Inc.
Stock Code: BOKU

