



Investment Note Financial Services

7 November 2023

Findi Ltd (ASX: FND)

A unique emerging payments player in India, helping transition India from the cash economy into the digital economy...

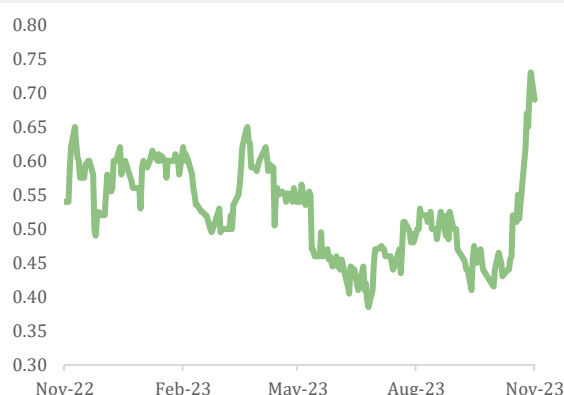
Summary

- PM's View:** Australian investors have limited options available to get pure exposure to the Indian growth story via ASX-listed securities. In our view, Findi Ltd (FND) provides investors an attractive exposure to key growth trends in the fastest growing (and increasingly important geopolitical) market in the world – increasing demand for financial services, increasing wealth in the lower to middle Indian class, structural growth in digital payments and the ongoing strength in India's cash economy. In 2022, India was the fastest growing economy in the world, and it is now the 3rd largest in terms of purchasing power parity. FND's management has structured the business in such a way to create a circular economy which gives FND exposure to both the current vibrant cash economy (via ATMs) and the structural growth in digital payments (via FindiPay). The importance of this strategic master stroke means FND is well funded and delivering positive operating earnings (EBITDA). Investors, in particular Western investors, need to fully appreciate the regional and cultural nuances at play in India to grasp why FND's strategic two-pronged approach sets FND up for long-term success in our view.
- Overview.** Findi Ltd (FND) is an India based payments company with more than 33,000 locations across 33 Indian States & Union Territories. FND's payments solutions encompass bespoke ATM deployment & managed services. The Company also offers digital payments, eCommerce & banking solutions to consumers via a 'SuperApp' used by merchants.
- Core investment drivers. (1) Building the infrastructure to leverage.** FND intends to have around 30,000 ATMs in two years. The Company is also currently sitting on approx. 17,000 merchants but has built the scaling capacity to easily acquire 3k to 4k merchants per month. Over the medium to long term, FND could potentially have 100,000 touch points (ATMs + Merchants) across India. **(2) Asset Monetisation.** Cross selling ATMs into existing FindiPay locations and vice versa represents a significant opportunity and will enhance asset monetisation. **(3) Merchant acquisition.** FindiPay provides the digital pipeline to integrate vast payment services provided by merchants. The local merchants already have foot traffic visiting their respective stores, therefore adding these digital payment services not only adds additional revenue but also enhances their value proposition. Additionally, FND will soon be able to provide white label ATM solutions to these merchants. This ability will significantly change the customer acquisition landscape and result in a materially cheaper customer acquisition cost (CAC) than any of FindiPay's competitors. FND will be able to package the ATM solution and FindiPay services for merchants.
- FND's ATM Solutions segment alone could be worth A\$419m.** If management can execute their ATM growth strategy over the next 5 years, we believe FND's ATM Solutions segment alone could be worth approx. A\$419m. We assume the ATM sector grows by +2.8% p.a. and FND achieves a market share of ~10% over the medium term. Using our assumptions of revenue per ATM, long-term EBITDA margins and current market EV/EBITDA multiple, we derive a valuation of A\$419.1m for FND's ATM Solutions segment versus FND's current market capitalisation of A\$25.4m.

Rating: Speculative Buy

Valuation (A\$): \$3.61

Share Price (A\$) \$0.69



Capital Structure

Shares on Issue (million)	36.9
(source: Bloomberg)	
Market Cap (A\$m)	\$25.4m

Board and Management

Nicholas Smedley	Non-Exe Chairman
Simon Vertullo	Non- Executive Director
Jason Titman	Non-Executive Director
Mohnish Kumar	Managing Director / CEO
Deepak Verma	Exe Director / CFO

Major Share Holders

HSBC Custody Nominee	10.0%
Rotherwood Enterprises	9.5%
Norfolk Enchants Pty Ltd	9.0%
Jason Alan Carroll	8.8%
Klip Pty Ltd	5.1%

Investment Thesis

Our positive view on the company is driven by the following drivers:

- Attractive exposure to the growth in India's broader economy and growing low to middle income earners.
- The Indian Government is committed to increasing its taxation base by ensuring every citizen has a bank account and that the Indian economy quickly moves into the digital economy.
- Strong management team with expertise to execute on the strategy, supported by an active Board.
- Sector tailwinds in growth in cash economy (ATMs) and digital payments secular growth.
- Attractive and growing dividend yield for a growth company.
- FND is building a strong and expansive infrastructure across India to increase asset monetization and drive consumers to its digital payment solutions.
- Management will be supplementing organic growth with inorganic growth.
- We believe in the long-term, FND could morph into a full transactional bank.
- Industry consolidation – we believe FND could take part in the consolidation or could be a potential M&A target for other players.
- Solid balance sheet.

Key Risks

We see the following key risks, but are not limited to:

- Execution risk given FND is a growth company and is more prone to strategic missteps.
- Competitive pressures.
- Disappointment around ATM tender wins or loss of a major contract.
- Growth in merchant strategy disappoints expectations.
- FND fails to get the White Label ATM license.
- Growth trajectory fails to meet market and investor expectations.
- Competition from a new or existing technology.
- Key man risk – key management personnel leave the business.
- Low liquidity in the stock.

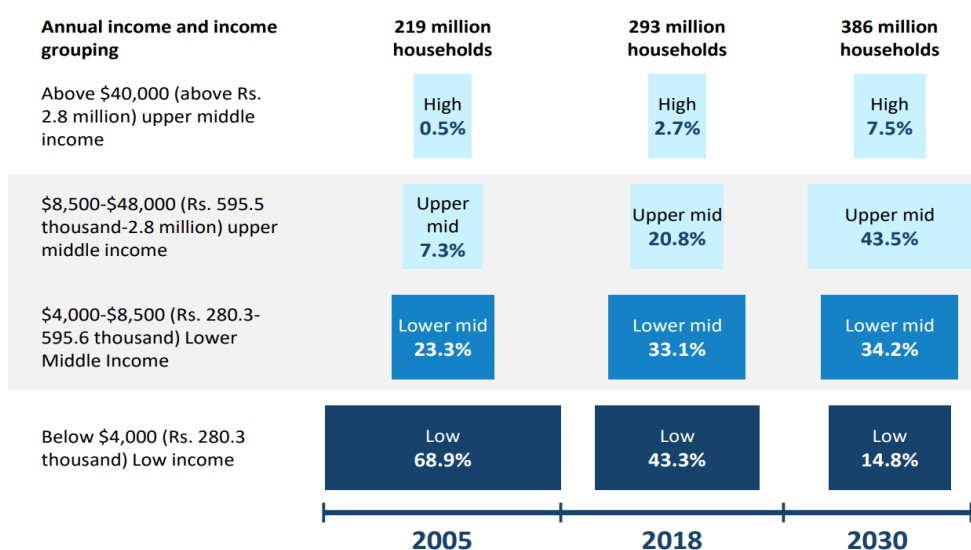
Company Description

Findi Ltd (FND) is an ASX-listed company, with its core business being a hybrid payments company (straddling both the cash and digital economy) based in India. FND has more than 33,000 locations across 33 Indian States & Union Territories. FND's payments solutions encompass bespoke ATM deployment & managed services, and digital payments, eCommerce & banking solutions. FND facilitates around 1 billion transactions per year, equating to 2.7 million transactions per day by consumers utilising the FND's network across India. FND is essentially a direct gateway to the growth that is going to happen in the Indian economy over the next 10 years, via a listed Australian Company. Therefore, providing Australian investors a unique vehicle to invest directly into the Indian economy.

Investment Drivers...

India is the most exciting global growth story over the next 10 years. In our view, India represents the most exciting growth opportunity for businesses and investors. Global asset allocators and Portfolio Managers could potentially be forgoing significant returns by not having a view and exposure to India’s growth story. Among the many growth characteristics associated with India over the next 10 years, the rising middle-class story in India is highly attractive. Much like it was for China over the last decade. Further, we expect the prosperity of broader India to permeate to the rural and semi-rural areas. This will also be driven by government policy to support rural and semi-rural under India’s government financial inclusion strategy (Jan Dham Yojana Program). Additionally, the Indian Government is in the process of providing high speed fiber connection to all villages by 2025 (Bharat Net Program). This bodes well for FND as the need to increase access to basic financial services (cash through ATMs & access to digital payments via local merchants) provides significant growth runway.

Figure 1: India’s rising middle class



Source: Redleaf, Frost & Sullivan (data from Sept-21)

Under or unbanked in India represent a significant opportunity. Depending on the source of your data, India has either the largest or second largest population in the world with approx. 1.41 billion people. India also has the second youngest population in the world (Nigeria has the youngest at 19), with an average age of 28. Unlike Australia, U.S., Europe, Japan, and China, all of which have aging populations. Of the total population, there are still approx. 350 million people who are unbanked and do not have access to basic financial services. This represents a significant growth driver for FND with the Company aiming to capture this underserved market via its white-label ATM strategy (the cash economy) and FindiPay (providing the digital pipeline to consumers via merchants to access digital payments). What’s important to highlight here is that for FND’s strategy to succeed, it does not require this underpenetrated consumer to own an electronic device (e.g., smartphone) or be tech savvy. What is required is the local merchant, who services this underpenetrated consumer needs, with access to an electronic device like desktop / laptop / smartphone, as we discuss below. The FindiPay platform by design is device agnostic.

Cash is still king in India – understanding the cultural nuances. Cash remains an important part of India’s economy. We continue to expect the cash economy to remain a key part of India’s economy over the medium term. In our view, the following reasons will ensure cash as a method of payment and settlement will remain stronger for longer whilst digital payments continue to grow – **(1)** the decline in opportunity costs of holding

currency (i.e., interest rates); **(2)** digital literacy; **(3)** internet penetration; **(4)** Indians still prefer to hold cash as a precautionary measure in times of uncertainty; **(5)** presence of a large informal economy; and **(6)** direct benefit transfers by the government (which consumers then typically withdraw using ATMs). Due to these drivers the number of ATMs in India are expected to grow over the short to medium term. Further, many merchants and smaller businesses continue to rely heavily on cash payments for their daily transactions. Around 80 million Indian adults used digital payments for the first time during the Covid-19 pandemic. However, 70% of account owners in India used cash for merchant payments in 2021. In 2022, 90% of eCommerce transactions were paid for in cash at the time of delivery in rural areas and this number was 50% in urban areas.

FND's recent SBI contract announcement provides an insight into what FND's ATM Solutions segment could potentially be worth. On 30 Oct-23, FND announced that the Company had secured a 10-yr contract with State Bank of India (SBI) to provide 4,219 ATMs (initial 3,375 ATMs plus a further 844m ATMs within 12-mths of the contract start date – expected to be in early 2025). Over the 10-yr term, the contract is expected to deliver \$550-620m revenue and EBITDA of \$250-280m. We can use the economics of this contract to derive a potential valuation for FND's ATM solutions segment should management achieve their strategic goals over the next 5 years. As per our calculation below, we believe FND's ATM Solutions segment alone could be worth approx. A\$419m.

Figure 2: FND ATM Solutions potential valuation

ATM Solutions Potential Valuation	
# ATMs in India FY23	259,000
CAGR in ATM units (p.a.)	2.8%
# ATMs in India FY26	281,000
FND market share target	10.5%
# FND ATMs	29,505
FND revenue per ATM per month (A\$)	620
FND Segment revenue (A\$m)	220
LT EBITDA margin target (%)	45%
Assumed Segment EBITDA (A\$m) p.a.	98.8
EBITDA FY24E (A\$m)	50.9
Peer Group 1-Yr forward EV/EBITDA multiple	8.2
FND ATM Solutions Valuation (A\$m)	419.1
# shares (million)	36.9
FND ATM Solutions Valuation per share (A\$)	11.37
Risk Weighted	65%
Risk Adjusted FND ATM Solutions Valuation per share (A\$)	7.39

Source: Redleaf estimates, Company, the value represents 100% shareholding of Findi India.

Our potential valuation is based on the following key assumptions:

+ There are approx. 259k ATMs in India as of Jun-23 and FND manages around 20,500 ATMs (as per announcement on 30 Oct-23), equating to approx. 8% market share. Management is targeting 30,000 ATMs in 2 years.

+ We estimate ATMs in India will grow by +2.8% p.a. to 281k units by FY26. It's worth noting, we have seen market estimates of approx. 305k ATM units by FY26, hence we feel comfortable with our forward estimates in terms of ATMs market growth.

+ We assume FND achieves 10.5% market share within the next 5 years, and this would equate to 29,505 ATMs (which is largely in line with management's stated target). This

appears reasonable given FND currently has a pipeline of ATMs tenders over the next 12-24 months.

+ We assume revenue of A\$620 per month per ATM machine over the long-term, which we believe is on the conservative side. For our EBITDA margin assumption, we have used the recently announced SBI contract terms as a reference. The Company noted the contract is expected to deliver \$550-620m revenue and EBITDA of \$250-280m, which equates to EBITDA margin of 45.2% to 45.5%. We assume long-term EBITDA margin of 45% for the purpose of this exercise.

+ We discount FND's LT segment EBITDA at a WACC of 14.2% to arrive at FY24E EBITDA of A\$50.9m. We then apply our Indian peer group average EV/EBITDA multiple to our EBITDA estimate.

+ We derive a valuation of A\$419.1m for FND's ATM Solutions segment based on the above assumption – which equates to \$11.37 per share. After adjusting this valuation for risk probability (65%), we arrive at a valuation of A\$7.39 per share.

We are cognisant the above calculation makes several assumptions and therefore investors should stress test and apply a range of possibilities to the key variables. In any case, the purpose of the above exercise is to demonstrate the significant potential value in FND's ATM business which we believe is being underappreciated by the market. The recent SBI contract win highlights management's ability to execute.

FND is trading at a deep discount to the peer group which we believe is not justified. FND is a profitable company with a strong growth outlook. Management has delivered strong revenue and earnings growth over FY22A and FY23A. The strong momentum in the business is forecast to continue into FY24E, with management guiding revenue to grow by +23.5% YoY to A\$67.3m and EBITDA to grow +40.7% YoY to A\$23.6m with EBITDA margin expected to expand by +420bps to 35.1%. In the table below we have provided FND's relative valuation to its peer group (we have used consensus estimates for the peer group where available and recognise for some valuation metrics there is limited data available). On our estimates, FND currently trades on a 1-yr PE-multiple of 3.5x vs peer group average 15.2x – i.e., 77% discount. We believe this discount is unwarranted for the following reasons – (1) FND is expected to deliver better revenue growth versus most peers over the next 2 years on our estimates; (2) FND's margins are expected to improve; and (3) FND has a strong balance sheet and hence there is little financial risk, in our view.

Figure 3: FND peer group comps table

	Current Price Local Curr.	FWD PE-multiple		FWD Dividend Yield		EV/EBITDA		EV / Sales	
		1-YR	2-YR	1-YR	2-YR	1-YR	2-YR	1-YR	2-YR
FINDI LTD	0.69	3.5x	1.5x	5.8%	16.7%	2.8x	1.9x	1.0x	0.7x
Indian Peer Group									
CAPITAL INDIA FINANCE LTD	127.15								
NETWORK PEOPLE SERVICES TI	2,090.40								
FINO PAYMENTS BANK LTD	293.30	22.7x	19.0x						
HDFC BANK LIMITED	1,494.50	18.9x	15.9x	1.2%	1.5%				
CSB BANK LTD	339.60	10.6x	9.6x						
DCB BANK LTD	114.05	7.2x	5.8x	1.4%	1.8%				
INFIBEAM AVENUES LTD	20.60								
CMS INFO SYSTEMS LTD	373.00	16.7x	14.1x	1.7%	2.2%	8.2x	6.7x	2.5x	2.1x
AGS TRANSACT TECHNOLOGIES	62.65								
Average		15.2x	12.9x	1.5%	1.8%	8.2x	6.7x	2.5x	2.1x
FND Premium / Discount to Peer Group		-77%	-88%			-66%	-72%	-61%	-67%

Source: Redleaf estimates, Company

The announcement of a dividend policy reiterates the Board's confidence in future earnings visibility. Due to the strong financial performance and outlook, the Board announced that they will be implementing a dividend policy going into FY24. The Board will target a payout ratio of up to 30% of NPAT. We forecast the Board will gradually raise the payout ratio over the next 3 years and forecast in our numbers a payout ratio of 20%, 25% and 30% for FY24, FY25 and FY26 respectively. On our estimates, not only is FND trading on an attractive absolute dividend yield in future years, but it is also considerably better than its peer group. Which again supports our argument of why FND's valuation discount to peer group is unjustified.

FND is a payments business creating a circular economy. FND facilitates around 1 billion transactions per year, equating to 2.7 million transactions per day of people using FND's network. We believe FND is uniquely positioned given its exposure to the cash economy (ATMs) and digital payments (through FindiPay). Investors need to think about FND as much more than an ATM business, even though this business currently contributes the most to group earnings. FND is an innovative payments company, with an ATM solution part of its overall value proposition. It is important to understand, as we have highlighted through data, that cash / ATMs remain a very strong contributor to India's GDP. Hence, in India this is not a low growth business. FindiPay solutions is driven by the structural growth story of increasing digital payments throughout the economy. By having exposure to both cash and digital payments, FND is creating a circular economy via its touchpoint with the consumer – providing ATMs to withdraw cash and then via the local merchants providing digital payments solutions so consumers can access the online economy. In this way, FND receives commission on both transactions. FND recognises the structural shift to the digital economy, but solid returns are still available in the cash economy especially in countries like India. Further supporting this, is the fact that cash in the Indian economy has grown at a CAGR% of +11% between FY15 and FY23. The Indian government is looking to lift more people above the poverty line, increase their taxation base and increase the number of people using bank accounts (e.g., employers paying employees into bank accounts). Hence, consumers who are likely to be paid directly into their bank accounts are then likely to use FND's ATMs to withdraw that cash. Having the FindiPay digital payments solution allows the merchants to then connect consumers to the digital economy.

Inorganic growth in the pipeline and the synergies which could be unlocked. To supplement organic growth, management is also actively seeking acquisitions to bolt-on to their existing infrastructure. This represents significant upside to revenue and earnings. For example, management believes if they acquire a business with 8,000 ATMs, they could integrate the acquired ATMs into their existing infrastructure and remove more than 50% of the cost base. This represents another share price and earnings uplift catalyst if management can make material value accretive acquisitions along the growth journey.

“All roads lead to India” – we believe FND could eventually morph into a bank. FND is transitioning from just a brown label ATM company, which provides ATMs to major banks in India and a digital payments solution, to a full stack basic financial services solutions company, which will integrate the facilitation of physical cash movements via ATMs and digital payments via FindiPay. Effectively this will see FND become a quasi-banking entity. Whilst investors should be cautious placing too much weight on this optionality at this stage, given the growth runway FND has over the short to medium term, we believe the possibility of FND morphing into a transactional bank is a distinct possibility which management would be fully aware of. In our view, management is strategically going down the path of effectively providing many of the solutions and services a transactional bank provides, with the next step being to tender for a banking license at some stage.

Industry Overview...

Cash in circulation. The value of currency in circulation (CIC) in India has grown at a CAGR of +11.0% p.a. between FY15 and FY23 to INR 33.5tr.

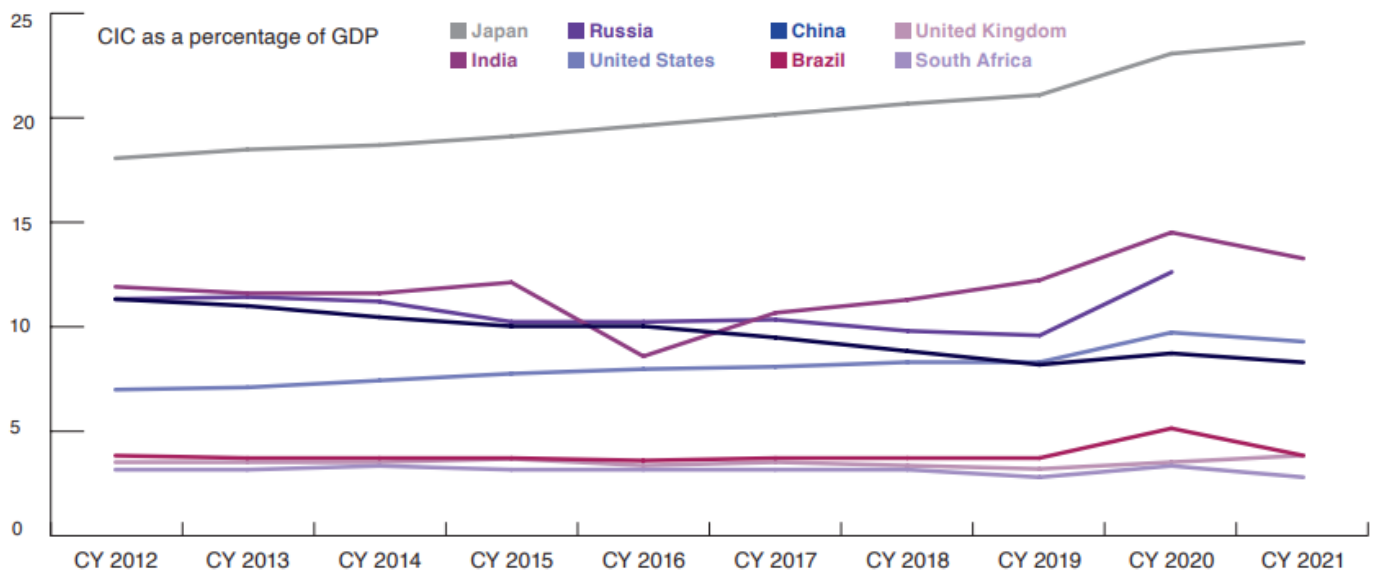
Figure 4: India currency in circulation (CIC) (trillion Indian rupees)



Source: Redleaf, Statista

Whilst digital payments continue to increase their penetration, they are yet to replace cash. According to data from the Bank for International Settlements (BIS), currency in circulation (CIC) as a percentage of GDP for CPMI (Committee on Payments and Market Infrastructures) member countries has largely held steady for developed markets and emerging markets. India's 10-year average for the CIC/GDP ratio is 11.8%. Following the demonetization in November 2016 in India, the CIC/GDP ratio fell to 8.68% but has since recovered and remains elevated. There is also a close relationship between GDP growth and CIC. Hence, our expectation of strong GDP growth in India over the coming decade, bodes well for CIC.

Figure 5: CIC/GDP ratio



Source: Redleaf, CMS, BIS

Cash remains an important part of India's economy. We continue to expect the cash economy to remain a key part of India's economy over the medium term. In our view, the following reasons will ensure cash as a method of payment and settlement will remain

stronger for longer whilst digital payments continue to grow - the decline in opportunity costs of holding currency (i.e., interest rates); digital literacy; internet penetration; Indians still prefer to hold cash as a precautionary measure in times of uncertainty; presence of a large informal economy; and direct benefit transfers by the government. Further, many merchants and smaller businesses continue to heavily rely on cash payments for their daily transactions. Around 80 million Indian adults used digital payments for the first time during the Covid-19 pandemic. However, 70% of account owners in India used cash for merchant payments in 2021.

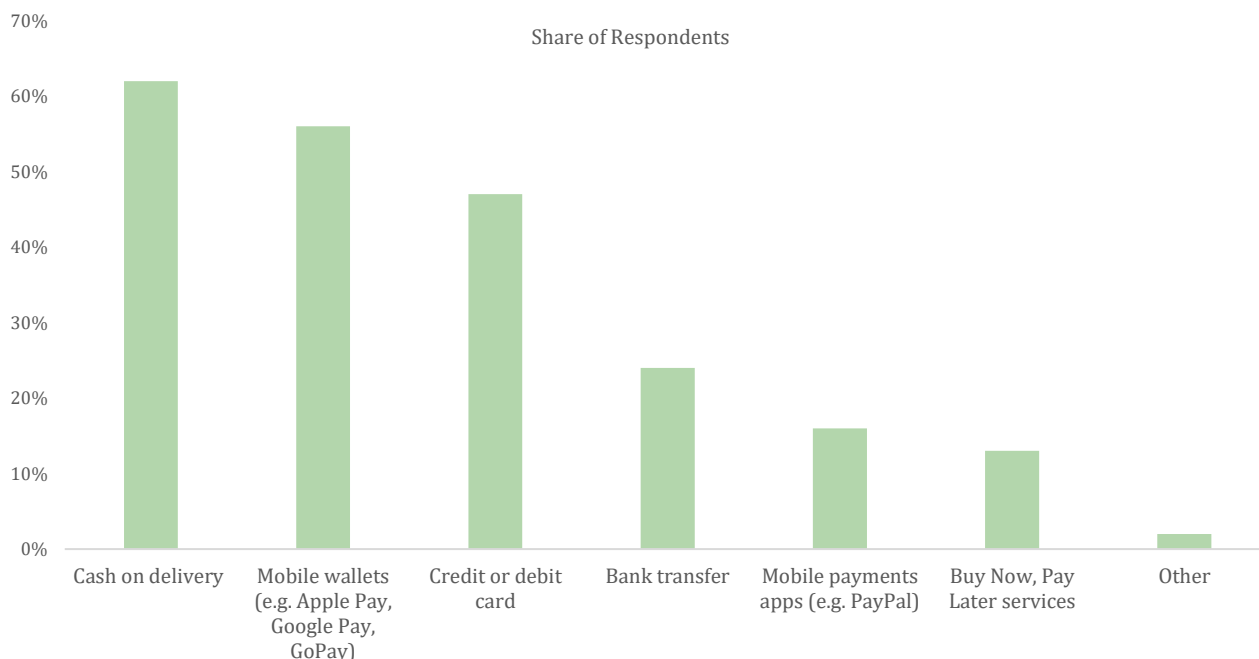
Figure 6: India currency in circulation (CIC) (trillion Indian rupees)

Point of Sale (POS) market share India	2019	2020	2021	2022
E-wallet, Digital / mobile wallet	5%	22%	25%	35%
Cash	71%	34%	37%	27%
Debit Card	12%	20%	18%	19%
Credit Card (incl. charge card)	12%	12%	18%	17%

Source: Redleaf, Statista

Growth in online shopping will benefit ATMs. In India, the shift to digital will not impact cash in our view and in fact could be largely positive. As of Jun-22, cash on delivery (COD) was the most preferred mode of payment for shopping online in India. Importantly, as you move further away from the metro areas and into lower tier regions, COD as the preferred method is significantly higher than the national level. As the penetration of e-commerce increases further in these lower tier regions, this could further boost demand for cash and therefore ATMs will be a beneficiary of this trend. In our view, increasing the digital infrastructure to remove reliance on COD is unlikely to impact given the cultural preference of consumers in India (lack of trust being one major reason). COD is also convenient for customers as they do not need a credit card/debit card and it's safe/secure (not worried about having your credit card details being stolen if provided to an online payment system).

Figure 7: Shopping online preferred payment methods



Source: Redleaf, Statista

ATMs growth. As of end of 30 Jun-23, there were 259,146 ATMs across India, growing at a CAGR of +6.4% p.a. between FY19 and FY23.

Figure 8: ATMs in India – total number ('000)

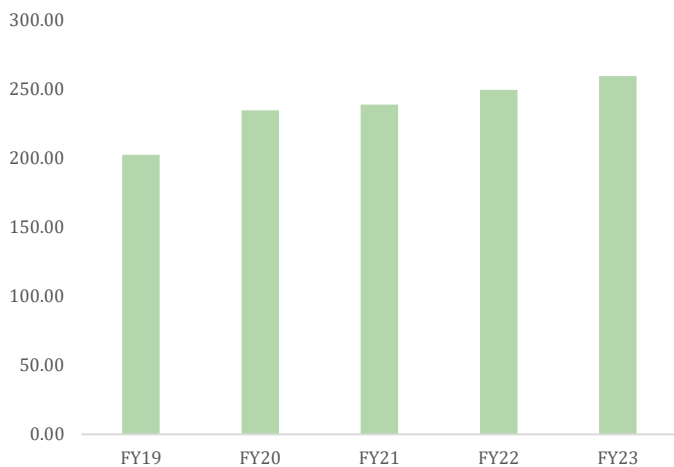
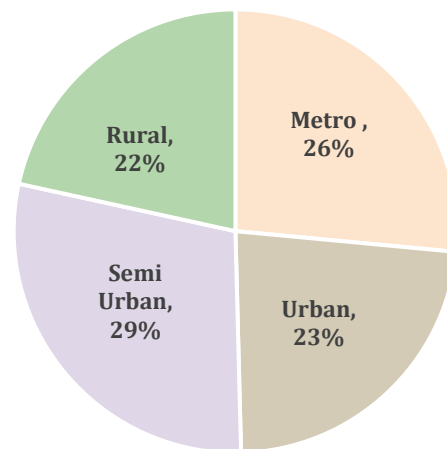


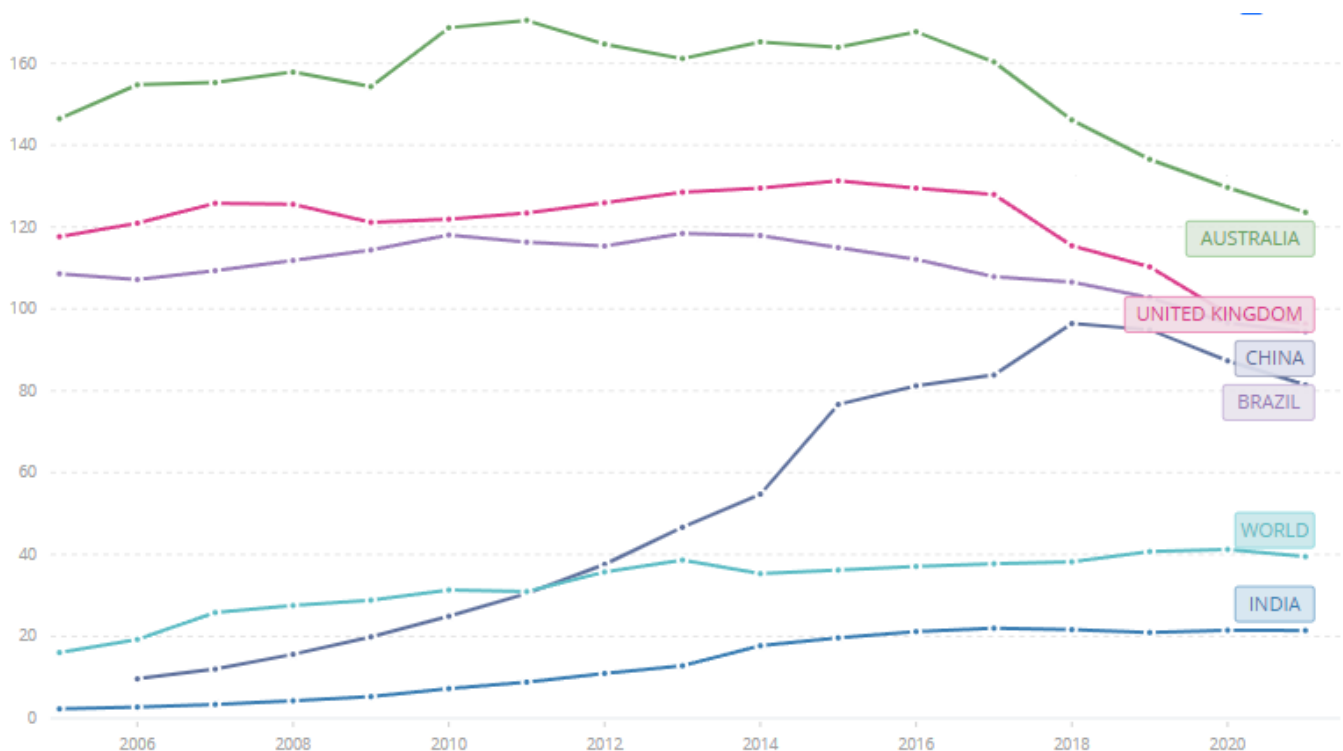
Figure 9: ATMs in India – breakdown by region



Source: Redleaf, Statista, Reserve Bank of India

India’s overall size of the ATM market may appear large – around ~259k ATMs – however when you compare the ATM penetration rate relative to the rest of the world India is significantly underpenetrated. According to IMF data, India’s ATM penetration rate (per 100,000 adults) is below the world and most developed market countries. We would further argue the penetration rate within India also varies, with the rural areas lagging. Hence, we see a steady growth rate for ATMs in India over the medium term and companies exposed to rural regions could grow ahead of the national run rate.

Figure 10: ATMs per 100,000 adults



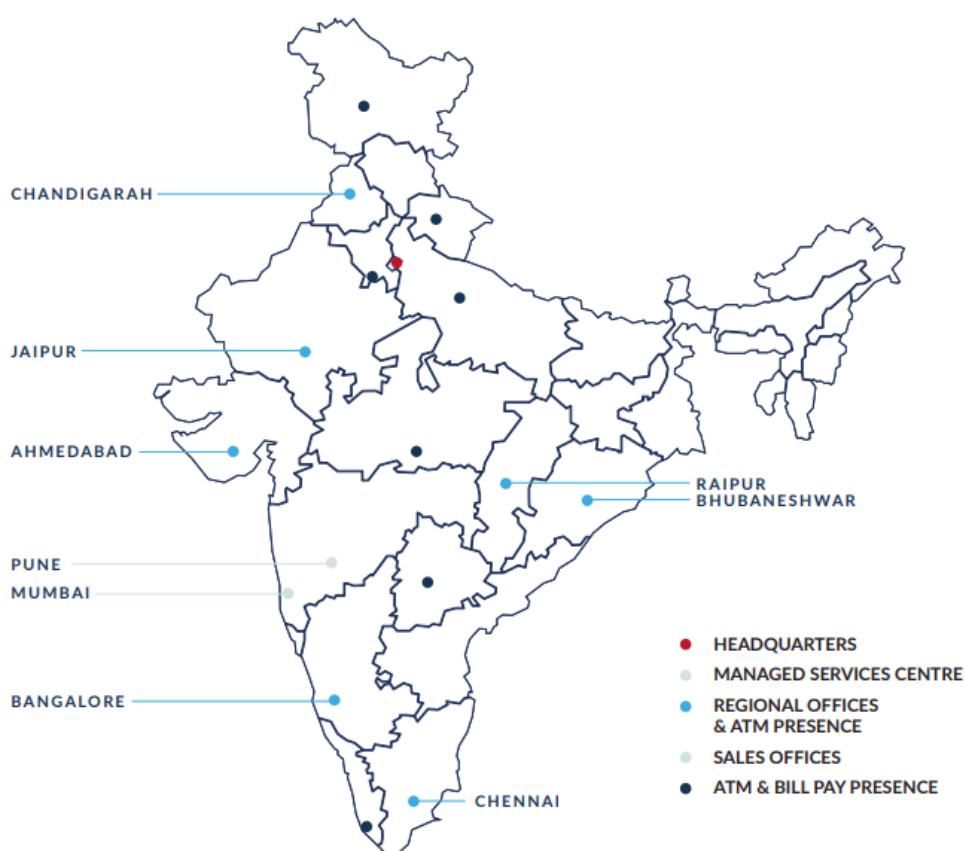
Source: Redleaf, IMF

Company Overview...

Findi Ltd (FND) is an India based payments company (covering both the cash and digital economies) with more than 33,000 locations across 33 Indian States & Union Territories. FND's payments solutions encompass bespoke ATM deployment & managed services, and digital payments, eCommerce & banking solutions. FND facilitates around 1 billion transactions per year, equating to 2.7 million transactions per day by consumers utilising FND's network.

Brief history. Findi owns 80% of Transaction Solutions International (TSI) India, which it purchased in 2022, with Indian management owning the remaining 20%. Transaction Solutions International (TSI) India was founded in 2004 and in 2013 its 75% of the business was sold to private equity firm Cx Partners with the view the PE firm would help drive growth. In 2019 the Company changed its name to Vortiv Ltd. Due to diverging views on the strategic direction of the Company, lack of support by the PE firm towards growth (became a silent investor rather than a growth partner) and the lack of financial support to take advantage of the growth opportunity, TSI management facilitated an exit strategy for Cx Partners. This provided an opportune timing for the current Board to buyout the 75% stake of Cx Partners for approx. \$4.2m – valuing the firm at \$5.6m. In hindsight this was a very cheap price to pay given the results delivered in the first full twelve months of ownership under the new Board. Under the current Board's first full year of ownership in FY23, revenue increased +22.7% YoY to \$54.5m and EBITDA increased +189.7% YoY to \$16.8m, with EBITDA margin expanding from 13.1% to 30.8%. In our view, under the new Board, the current management team appears to be rejuvenated and the strategic outcomes aligned. In particular there is a strong focus on growth over the short to medium term, with both organic and inorganic growth opportunities in the pipeline.

Figure 11: FND geographic footprint

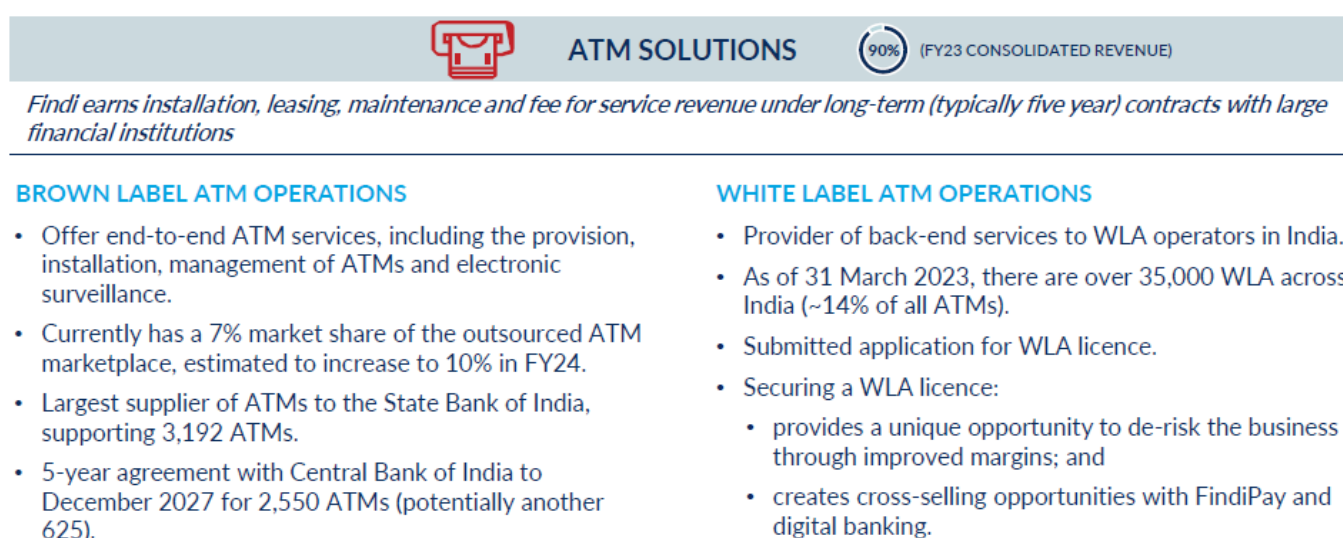


Source: Company

Business overview. The Company operates two divisions – **ATM Solutions** and **FindiPay**. FND's traditional ATM Solutions division has market leading efficiency, catering to Indian's current preference for cash transactions. This provides substantial cash flow to fund FND's digital platform development. The WLA strategy aims to leverage the National Mission for Financial Inclusion (NRFI) objective, de-risking the business model and creating valuable cross-selling opportunities for FindiPay. Through its comprehensive offerings, FindiPay is well placed to play a pivotal role in India's transition into digital banking over the next 5-10 years, further driving financial inclusivity and reshaping the financial landscape.

ATM Solutions. FND offers Brown Label ATM (BLA) managed services to financial institutions, and White Label ATM (WLA) back-end services to leading businesses in India. ATM Solutions benefits from India's preference for cash transactions, particularly in rural and regional areas. There are approx. 259k ATMs in India and FND manages 20,000 ATMs, equating to approx. 8% market share. Management is targeting market share of ~10% in FY24. Of the 20,000 ATMs, FND manages 12,000 ATMs on behalf of BCI, one of the largest white-label operators in India. FND owns and operates (referred to as Brown-label) 12,000 ATMs for large financial institutions across India – e.g., State Bank of India (SBI) (3,912 ATMs) and Central Bank of India (CBI) (2,550 ATMs).

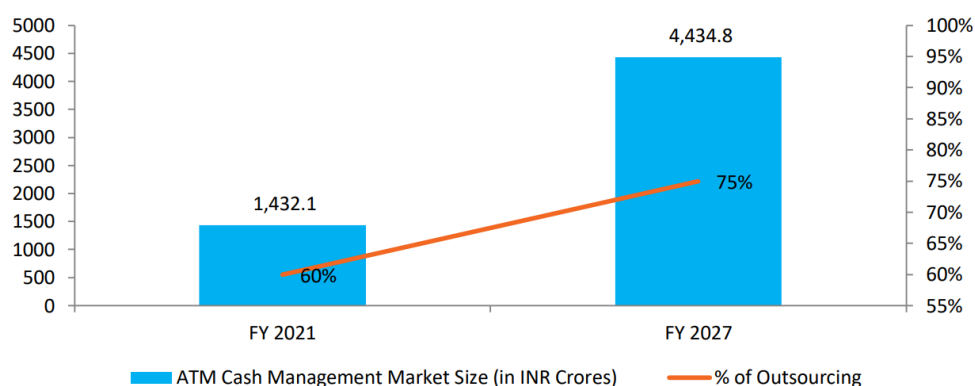
Figure 12: ATM Solutions [90% of FY23 Revenue]



Source: Company

Segment drivers:

+ Banks are outsourcing ATMs. Private banks are increasingly outsourcing ATMs and keeping fewer on-site ATMs. According to data, ICICI, HDFC and AXIS are some of the biggest banks in India who have already outsourced 90% of their ATM fleet. According to Frost & Sullivan, between FY21 and FY27, ATM cash management outsourcing is predicted to rise from 60% to 75% (CAGR of +20.7% p.a.), driven by higher share of BLAs (100% cash outsourcing) and 80% of ATMs added or replaced by private banks to be outsourced. Public Sector Banks (PSBs) are also expected to shift towards the BLA model to expand their ATM network. According to some estimates, PSBs are expected to have almost completely converted to BLA ATMs by 2025.

Figure 13: ATM Outsourcing – market revenue forecast (INR Crores)

Source: Frost & Sullivan

+ Upcoming ATM tenders. In total, FND currently has a pipeline of 7,500 ATMs over the next 12-24 months which management intends to tender for. On the current ATMs asset base, this represents growth of +37.5% assuming all tenders are won. FND currently manages 2,550 ATMs for the Central Bank of India (CCI) and has tendered for a further CBI contract of ~625 ATMs. Management is confident of being awarded the tender and given FND's incumbency we place a high probability on FND being awarded this tender. We would point to the recent announcement of FND being awarded a new SBI contract of 4,219 ATMs over 10-yrs, which is expected to deliver revenue of \$550-620m and EBITDA of \$250-280m over the term of the contract. This should give investors increased confidence in management's ability to execute on their strategy.

+ Margin uplift. We see incremental margin gain as FND increases its presence across states and regions and adds ATMs to its network. Management expects to be strategic in their land grab for new ATMs when tendering. Management is seeking higher margin and strategic relationships with large banks to also drive FND's white label strategy. Hence, we see limited potential of a strategic misstep from FND trying to grab new sites at whatever cost – i.e., growth for growth's sake - which we believe could be detrimental for margins.

+ White label strategy. FND is currently in the process of applying for a white label license which will be a key milestone for the Company. This should also be an important share price catalyst over the coming months when the decision is likely to be handed down. White Label ATMs (WLAs) were approved by the Reserve Bank of India (RBI) to drive financial inclusion and ATM penetration in India, which allows non-bank firms to set up and run their own branded ATMs. Increasing the availability of ATMs in rural and semi-urban areas is a key focus of this policy. Because consumers get government subsidies in the form of direct cash transfers to their bank accounts, ATMs play a critical part in accessing the cash. According to estimates by Frost & Sullivan, the number of WLAs in India are expected to double from FY21 to FY27. FND's white label rollout strategy will include franchising its ATMs to merchants. This increases the value proposition of the merchant in their locality, reduces FND's capital expenditure requirement (as the merchant partially contributes to the outlay) and drives a better ROIC versus current BLA contracts with major banks.

FindiPay. FND is seeking to build a complete financial ecosystem for micro-to-medium-sized enterprises. Through FND's physical FindiPay stores, the Company is currently delivering accessible banking & financial services to rural India, supporting financial inclusivity. Effectively, FindiPay is looking to bring the digital pipeline to the merchants and consumers in rural areas where they are still not as tech savvy as their metropolitan peers. However, this under/unbanked segment of the market represents a significant growth opportunity.

In rural areas, cash transactions still dominate however consumers still need access to digital payments for a host of reasons. The access to the digital payments gateway is facilitated by local merchants who play a critical role – effectively helping a less tech-savvy consumer to make online transactions such as domestic money transfer (DMT), Indo-Nepal Money Transfer (INMT), Aadhaar Enabled Cash Withdrawal, bill payments, mobile & DTH (Direct-to-Home) recharge, flight & hotel bookings, and assisted shopping. The merchants are often operating on desktop computers, with 82% of the transactions conducted on desktop portals and 18% of transactions conducted on mobile apps.

Figure 14: FindiPay [10% of FY23 Revenue]



We employ various transparent fee structures, dependent on the service, based on a percentage of the gross transaction value

DIGITAL BANKING SOLUTIONS

- Desktop and mobile based platform.
- Offer a number of services to the B2C and P2P markets, including:
 - Banking – direct money transfer (DMT), account opening, cash withdrawal & deposit;
 - Financial – payment gateway, digital wallet, bill payment, insurance, BNPL;
 - Hospitality & tourism – train, airplane, hotel, and bus booking; and
 - Online superstore – assisted e-commerce, gift cards, loyalty & rewards.

PHYSICAL DIGITAL PAYMENT STORES

- Leverage expertise from ATM Solutions to establish physical stores with WLAs by 2025.
- Supporting financial inclusion by providing accessible banking & financial services to rural India.
- Realise cost synergies with ATM Solutions.
- Harness FindiPay customer transaction data to generate customer insights and advertising revenue.

Source: Company

Segment drivers:

+ Digitalising India's merchants. Merchants in India or known as Kirana stores are “mixed business” stores which sell anything from food, clothing, household items, stationery, tools, medicines, mobile phone recharge cards and toys. In our view it is difficult to get an exact figure on the number of merchants in India, however some industry estimates put the total number at more than 50 million. For western investors (who are used to big supermarket chains like Costcos, Kroger, Woolworths etc) it is important to understand the important role these local merchants play in the lives of everyday households and contribute to the Indian economy. That's where locals go to shop, especially in rural or semi-rural regions. However, these merchants now need to “tech up” and move into the digital era. This will drive a significant need from these merchants to offer consumers – existing foot traffic through their stores – digital payment solutions.

+ Enhancing merchants' value proposition and further monetising the foot traffic to their stores. FindiPay provides the digital pipeline to integrate vast payment services provided by merchants. The local merchants already have the foot traffic visiting their respective stores, hence adding these digital payment services only enhances their value proposition. Additionally, FND will also be able to provide white label ATM solutions to these merchants as well - once the Company is awarded the license. FND will be able to package the ATM solution and FindiPay services for merchants. This will allow the local merchants to provide several banking services/solutions. Management believes this will allow FND to bring the full stack of basic financial services solutions to the under/unbanked in rural regions of India.

+ Attractive economics and cross sell opportunities. FND should be able to drive attractive margins as the Company cross-sells its ATM locations its FindiPay solutions and its FindiPay locations its ATM solutions.

Competitor overview. The following companies provide ATM solutions & digital banking services in India.

+ AGS Transact Technologies (BB ticker: AGSTRA). AGSTRA provides omni-channel payment solutions such as ATM and CRM outsourcing, cash management, transaction switching and electronic payment. The company provides ATMS and CRMs (Cash Recycling Machines), cash dispensers, currency technology products, software, and self service terminals as well as annual maintenance contract services.









+CMS Info Systems (BB ticker: CMSINFO). CMSINFO specialises in end-to-end ATM services including replenishment, cash pick-up and delivery, network cash management, and ATM software solutions. The company offers managed services such as banking automation product sales, development, and maintenance, brown label ATM deployment and management, multi-vendor software and automated security software solutions for ATMs.

+ Infibeam Avenues (BB ticker: INFIBEAM). INFIBEAM provides digital payment solutions, data centre infrastructure, and software platforms for businesses and governments to execute e-commerce transactions. The company offers CCAvenue, an online payment gateway to ecommerce merchants to collect payments online, and BillAvenue, an online bill payment platform for recurring bill payments services to customers.

+ Network People Services Technologies (BB ticker: NPST). NPST engages in the development of digital payment solutions to bank, financial institutions, and merchants. The company provides IT services including development, customisation, and maintenance and support.

+ Capital India Finance (BB ticker: CIFL). CIFL provides small business finance, which includes secured loans, and equipment and supply chain finance products, and retail finance comprising various loans, such as home, home improvement, home extensive, NRI home, and home loan balance transfer, as well as loan against property. The company operates RapiPay, a payment solution, and RemitX that offers foreign exchange products and services, including foreign currency notes, overseas remittances, foreign currency prepaid travel card, and import and export of foreign currency notes.

Figure 15: Competitive landscape for ATMs

OPERATOR	ESTIMATED MARKET SHARE (%) [*]	PRODUCT / SERVICE OFFERING						
		ATMs Equipment Supply	ATM First Line Maintenance	ATM Managed Services	White Label ATM Management	E-Surveillance [*]	Payment Processing [*]	Utility Companies [*]
 FINDI	7%	✓	✓	✓	✓	✓	✓	✓
 HITACHI Inspire the Next	11%	✓	✓	✓	✓	×	✓	×
 AGS	9%	✓	✓	✓	✓	×	✓	×
 FIS	6%	✓	✓	✓	×	×	×	×
 TATA	5%	×	×	×	✓	×	✓	×
 Euronet	5%	✓	✓	✓	×	×	×	×
 FSS POWERING PAYMENTS	4%	✓	✓	✓	×	×	×	×
 EPS	3%	✓	✓	✓	✓	×	×	×

^{*} Management estimate of owned ATM market

 Findi's Key Differentiators

Source: Company

Company Financials & Valuation

Increasing contribution from FindiPay. As at FY23, the ATM Solutions segment made up 90% of group revenue, with 10% coming from the digital payments business FindiPay. For FY24E estimates, we have largely adopted management's guidance including revenue and EBITDA guidance. In the table below we have detailed our short-term forecasts. As per our estimates and management guidance, we expect very strong top line growth out to FY26E, which will translate into strong earnings growth due to scale benefits.

Figure 16: FND 3-yr earnings forecast

Year-end Mar (A\$ millions)						
PROFIT & LOSS (P&L)	FY22A	FY23A	FY24E	FY25E	FY26E	CAGR FY23-26E
Sales Revenue	44.4	54.5	67.3	103.8	148.1	39.5%
Operating Expenses	38.6	37.7	43.7	64.7	90.5	
EBITDA	5.8	16.8	23.6	39.1	57.6	50.8%
% Margin	13.1%	30.8%	35.1%	37.7%	38.9%	
Depreciation & Amortisation	1.2	9.7	7.4	10.3	13.4	
EBIT	4.6	7.1	16.2	28.8	44.2	83.7%
% Margin	10.3%	13.1%	24.1%	27.8%	29.8%	
Reported NPAT	-1.2	2.4	7.3	17.0	27.7	
Underlying NPAT	-1.2	2.4	7.3	17.0	27.7	
Underlying EPS (cps)	-0.01	0.01	0.20	0.46	0.75	
DPS (cps)	0.0	0.0	0.0	0.1	0.2	
Payout Ratio	0%	0%	20%	25%	30%	
Growth Rates:						
Revenue		22.8%	23.5%	54.2%	42.7%	
EBITDA		189.7%	40.7%	65.5%	47.3%	
Underlying NPAT		material	207.8%	131.8%	63.1%	

Source: Company, Redleaf estimates

DCF Valuation. We have forecast cash flows out to 10 years, after which we apply a terminal value. Our DCF calculations are provided below.

Figure 17: FND DCF valuation

Equity Value	
Firm Value	163.1
Less: Net Debt (as at 30 Jun-23)	21.7
Equity Value	141.4
# Shares Outstd. (m)	36.9
Equity Value Per Share	\$3.84
Currency Conversion	1.0000
Equity Value Per Share	\$3.84
Current Price	\$0.69
Potential Return	456.2%
Key Assumptions:	
Risk-free Rate	4.5%
Equity risk premium	5.5%
Net Debt / Equity	10.0%
Equity Beta	1.5
Cost of Equity	12.8%
Add: Management Execution Risk	2%
Adjusted Cost of Equity	14.8%
Cost of Debt (before tax)	13.0%
Tax Rate	30.0%
Weighted Average Cost of Capital	14.2%

Source: Redleaf estimates, Company, Bloomberg

EV/Revenue valuation. In the table below we present our valuation of FND using the current peer group average EV / Revenue multiple and our estimate of FND's 1-yr and 2-yr revenue estimates.

Figure 18: FND EV / Revenue multiple valuation

	EV / Revenue	
	1-Yr FWD	2-Yr FWD
FND's Indian Peer Group Multiple	2.5	2.1
FND Valuation @ Peer Average	1-Yr FWD	2-Yr FWD
FND Revenue	67.3	103.8
Indian Peer Group	2.5x	2.1x
EV	167.3	223.0
Net Debt	21.7	21.7
Equity Valuation	145.6	201.3
# of shares (m)	36.9	36.9
Price per Share	\$3.95	\$5.46
AVERAGE	\$4.71	

Source: Redleaf estimates, Bloomberg

PE-multiple valuation. In the table below we present our valuation of FND using the current peer group average PE-multiple and our forward 1-yr & 2-yr EPS estimates.

Figure 19: FND PE multiple valuation

	1-Yr FWD	2-Yr FWD
FND EPS estimates	0.20	0.46
Indian peer group average multiple	15.2	12.9
Implied Share Price	\$3.03	\$5.94

Source: Redleaf estimates, Bloomberg

Valuation and price target. Our valuation and price target of A\$3.61 per share is the equal-weighted of our DCF, PE-multiple and EV/Revenue multiple valuations.

Figure 20: FND equal-weighted valuation

DCF	\$3.84
PE-Multiple	\$3.03
EV / Revenue	\$3.95
Equal-weighted valuation	\$3.61

Source: Redleaf estimates

Board and Management...

In the section below we provide a brief bio of key board members and management personnel. We note that the Board is actively involved with the Company. The Australia based Board is regularly traveling to India several times during the year to catch up with management teams and receive quarterly updates on operations. Additionally, the Board regularly meet with professional service providers and Investment Bankers during their trips to India. They also actively attend a range of industry events and conferences during their visits to India. We note the Board members also have a material holding in the Company, hence the interests are aligned with the shareholders.

Board Members:

Nicholas Smedley – Non-Executive Chairman

Mr Smedley is an experienced Investment Banker and M&A advisor, with 14 years at UBS and KMPG. He currently oversees investments in various sectors and serves as Executive Chairman of Respiri Ltd and Non-Executive Director of AD1 Holdings Ltd.

Simon Vertullo – Non-Executive Director

Mr Vertullo is an experienced board director and finance executive with previous roles as CFO of an ASX 300 company and Chairman of a wi-fi and software technology business. He is a Chartered Accountant and has had significant exposure to various international listed and private companies.

Jason Titman – Non-Executive Director

Jason is a boutique investor and company director, with a hands-on approach to scaling up companies. His experience spans roles as CEO, COO and CFO across eCommerce, fintech and cryptocurrency businesses, with international exposure in the U.S., Southeast Asia, UK, and India.

Executive Team:

Mohnish Kumar – Managing Director and CEO

Mr Kumar brings over 30 years of experience in marketing and business development. His expertise lies in strategic planning for financial services, honed during a 15-year tenure at Citibank India. Mohnish also holds MBA and has been a key part of the executive team since 2006.

Deepak Verma – Executive Director / CFO

Mr Verma is a seasoned Chartered Accountant with two decades in financial services and telecommunications. With leadership roles at Bharti Airtel and Kroll, he led finance divisions through strategic transformations. He is a Commerce graduate from Delhi University.

Figure 21: FND Financial Summary

Year-end Mar (A\$ millions)					
PROFIT & LOSS (P&L)					
	FY22A	FY23A	FY24E	FY25E	FY26E
Sales Revenue	44.4	54.5	67.3	103.8	148.1
Operating Expenses	38.6	37.7	43.7	64.7	90.5
EBITDA	5.8	16.8	23.6	39.1	57.6
% Margin	13.1%	30.8%	35.1%	37.7%	38.9%
Depreciation & Amortisation	1.2	9.7	7.4	10.3	13.4
EBIT	4.6	7.1	16.2	28.8	44.2
% Margin	10.3%	13.1%	24.1%	27.8%	29.8%
Reported NPAT	-1.2	2.4	7.3	17.0	27.7
Underlying NPAT	-1.2	2.4	7.3	17.0	27.7
Underlying EPS (cps)	-0.01	0.01	0.20	0.46	0.75
DPS (cps)	0.0	0.0	0.0	0.1	0.2
Payout Ratio	0%	0%	20%	25%	30%
Growth Rates:					
Revenue		22.8%	23.5%	54.2%	42.7%
EBITDA		189.7%	40.7%	65.5%	47.3%
Underlying NPAT		material	207.8%	131.8%	63.1%
VALUATION					
	FY22A	FY23A	FY24E	FY25E	FY26E
PE multiple (x)	-102.0x	50.5x	3.5x	1.5x	0.9x
P/B ratio (x)	8.8x	5.6x	1.0x	0.7x	0.5x
Dividend Yield (%)	0.0%	0.0%	5.8%	16.7%	32.7%
EV / Sales (x)	3.3x	2.9x	1.0x	0.7x	0.5x
EV / EBITDA (x)	24.9x	9.4x	2.8x	1.9x	1.3x
BALANCE SHEET SUMMARY					
	FY22A	FY23A	FY24E	FY25E	FY26E
Cash	1.2	18.3	5.6	5.2	7.4
Current Receivables	6.2	18.2	22.2	34.2	48.9
Current Inventories	0.0	0.0	0.0	0.0	0.0
Property, Plant & Equipment	23.8	40.5	39.2	52.2	63.5
Other	28.5	30.7	28.4	31.4	34.9
Total Assets	59.7	107.7	95.5	123.0	154.7
Current Payables	17.7	16.3	16.3	16.3	16.3
Total Debt	8.0	40.8	47.6	47.6	47.6
Other Liabilities	20.0	29.3	5.4	21.7	36.2
Total Liabilities	45.7	86.4	69.3	85.6	100.1
Shareholders Equity	14.1	21.3	26.2	37.4	54.6
Net Debt / Equity	48.3%	105.6%	160.2%	113.3%	73.5%
Net Debt / (ND+E)	32.6%	51.4%	61.6%	53.1%	42.4%
CASH FLOW SUMMARY					
	FY22A	FY23A	FY24E	FY25E	FY26E
EBITDA	5.8	16.8	23.6	39.1	57.6
Changes in WC	5.1	-1.9	-3.1	-5.5	-5.3
Other	0.0	0.0	0.0	0.0	0.0
Operating Cash Flow	10.9	14.9	20.6	33.6	52.3
Capital Expenditure	-0.1	-32.2	-6.1	-23.3	-24.8
Free Cash Flow	10.9	-17.3	14.5	10.3	27.5

Source: Redleaf estimates, Company, Bloomberg

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