Findi

FND.AX – INITIATION OF COVERAGE

A research platform of MST Financial

31 January 2024

Cash Still King; Digital on the Rise

NEED TO KNOW

- Listed exposure to growing Indian fintech market
- Large ATM footprint generating significant cashflow for returns and reinvestment in digital banking services
- New funding shows potential valuation read through

Direct exposure to a global emerging market: Findi is the only Australian listed company that provides direct access to the emerging Indian fintech market, which services 1.4 bn people (~25% remain unbanked) and remains heavily dependent on cash transactions. Findi's strong ATM network is highly cash generative and supports its digital services growth, diversifying the business.

Key partnerships with major market players: Findi's 20.5k ATM network is underpinned by two highly significant agreements – with the State Bank of India and the Central Bank of India. 80% of Findi's revenue base is contracted, with the average contract length almost 5 years, aiding earnings certainty.

Recent funding agreement: Findi's 100% owned Indian subsidiary, TSI India, raised A$37.6m via Compulsory Convertible Debentures (CCDs) from leading Indian investment group, Piramal Alternatives (owned by Canada's largest pension fund, CDPQ). Upon an expected TSI IPO, the CCDs will convert to ~16.7% of equity, implying a total market cap for TSI India of ~A$225m.

Investment Thesis

Only Australian-listed way to gain access to Indian fintech market: As one of the world's largest non-bank ATM operators in a very large market, Findi services >2.7m customers daily in India across >30k locations, involving both ATMs and merchants. We expect this footprint to continue growing alongside population growth (from 1.4 bn currently), a reduction in the unbanked population (estimated at ~25% presently) and further adoption of digital payments by an increasingly digitally literate younger generation, even while cash remains king.

Leveraging ATM stronghold to cross sell digital services: Findi is uniquely positioned as an end-to-end provider (the only fintech provider that provides both ATMs and digital services) that can leverage its basic cash services, as a cheap customer acquisition channel, to further develop into a full-service digital banking provider. Both business segments provide significant diversification benefits.

Current earnings multiple highlights value on offer: Recent management guidance was reaffirmed in the 1H24 result announced in November 2023 (reported revenues of $31.8m and EBITDA of $12.6m). Applying a conservative market multiple of 10.5x to our FY24 EBITDA forecast results in a valuation significantly higher than the current share price.

Valuation

Findi's earnings outlook underpins our valuation. We derive a valuation based on a 10-year DCF and market EBITDA multiples basis (equally weighted). Our valuation of $4.31/share is supported by our view that growth in Findi's ATM network and services will support revenue and profitability.

Risks

Key risks to our thesis include macroeconomic risk (related to Indian economic health), regulatory risk (which govern Findi's ability to provide payment services), forecast risk, cyber risk, and key client risk.

Equities Research Australia

Financial Services & Technology

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Findi Limited (ASX: FND) is a fintech company specialising in transaction payment services throughout India. The company's primary businesses include payments and digital banking and e-commerce, automated teller machines (ATMs), and e-surveillance. The company provides payments and digital banking solutions through its network of merchants facilitating banking services, utility payments, money transfers, e-commerce, and train and airline ticket payments. Its merchants are located to offer card and cash services to its target demographic in regional and rural centres. The company also provides transaction payment solutions for public and private sector banks and white-label operators across India with complete end-to-end transaction processing and managed services capabilities.

Valuation	A$4.31 per share
Current price	A$1.60
Market cap	A$78m
Cash on hand	~A$85.3m

Upcoming Catalysts and Newsflow

Period	
3 months	Approval of white-label ATM licence
6 months	FY24 results; potential update on TSI IPO

Share Price (A$) past 12 months

Source: FactSet, MST Access.

Financial Summary

Company Overview			
Current price ($)	1.60	Valuation ($)	4.31
Market capitalisation ($m)	78	12 month dividend ($)	0.00
Shares outstanding (m)	49	Expected return (%)	169.1
FD shares outstanding (m)	58		
Enterprise value	99		
Year to 31 March			

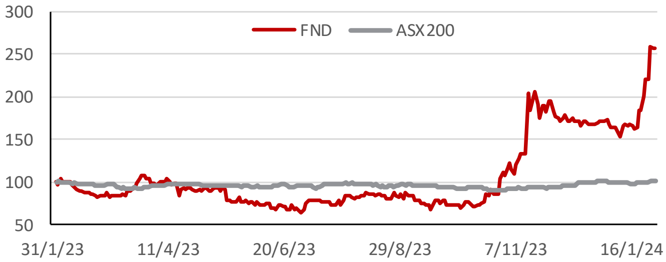
Profit & Loss ($m)	2022a	2023a	2024e	2025e	2026e
Sales revenue	4.7	53.1	65.7	78.8	90.6
% change			23.7	20.0	15.0
Gross profit	2.6	28.4	35.1	41.8	48.0
Gross margin (%)	56.0	53.5	53.4	53.0	53.0
EBITDA	0.0	16.8	24.9	32.1	38.0
EBIT	(1.3)	6.6	9.8	16.7	24.5
EBIT margin (%)	(27.1)	12.3	14.9	21.1	27.0
Net interest expense	(0.2)	(4.1)	(5.1)	(6.3)	(5.9)
Pre-tax profit	(1.5)	2.4	4.8	10.4	18.6
Tax expense	0.0	0.0	0.0	0.0	(4.3)
Minorities & associates	0.2	(0.3)	(0.3)	0.0	0.0
Net profit	(1.4)	2.2	4.4	10.4	14.3

Key metrics	2022a	2023a	2024e	2025e	2026e
EPS - underlying (¢)	**(0.8)**	**3.7**	**7.6**	**17.8**	**24.5**
EPS - basic (¢)	(0.8)	5.8	10.4	21.3	29.2
Wtd avg ordinary shares (m	180	37	43	49	49
Wtd avg diluted shares (m)	180	59	58	58	58
DPS (¢)	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Dividend yield (%)	0.0	0.0	0.0	0.0	0.0
Payout ratio (%)	0.0	0.0	0.0	0.0	0.0
Franking (%)	0	0	0	0	0
PE ratio	NA	43.5	21.0	9.0	6.5
EV/EBIT (x)	NA	15.1	10.1	5.9	4.1
EV/EBITDA (x)	NA	5.9	4.0	3.1	2.6
EBIT margin (%)	NA	12.3	14.9	21.1	27.0
Tax retention rate	102.7	100.0	100.0	100.0	76.8
Asset turnover	0.1	0.6	0.5	0.5	0.5
Interest expense rate (%)	0.5	4.9	3.6	3.6	3.2
Financial leverage multiple	2.5	4.7	4.7	4.0	3.3
Minority interest adj factor (x	0.9	0.9	0.9	1.0	1.0
ROE (%)	NA	12.2	15.0	24.0	25.5
ROIC (%)	NA	7.7	6.8	11.0	11.7

Balance sheet ($m)	2022a	2023a	2024e	2025e	2026e
Current assets					
Cash and near cash	1.2	18.3	60.8	69.9	83.4
Receivables	6.2	18.2	24.1	26.6	27.9
Inventory	0.0	0.0	0.0	0.0	0.0
Investments (incl term deposits)	22.0	7.6	30.0	30.0	30.0
Total current	**29.4**	**44.1**	**114.9**	**126.5**	**141.3**
Non-current assets					
Property, plant and equipment	23.8	40.5	39.3	39.3	39.3
Investments	0.0	0.0	0.0	0.0	0.0
Right of use assets	4.4	8.6	11.6	7.6	3.6
Goodwill	0.0	0.0	0.0	0.0	0.0
Other intangibles	1.4	1.9	1.3	1.3	1.3
Other non-current	0.8	12.6	3.2	3.2	3.2
Total non-current	**30.3**	**63.6**	**55.3**	**51.3**	**47.3**
Total Assets	**59.7**	**107.7**	**170.2**	**177.7**	**188.6**
Current liabilities					
Accounts payable	17.7	16.3	7.4	8.1	8.7
Short-term debt (incl leases)	14.3	22.6	23.6	23.6	23.6
Provisions	5.4	6.3	18.2	18.2	18.2
Total current	**37.3**	**45.2**	**49.2**	**50.0**	**50.5**
Non-current liabilities					
Long-term debt (incl leases)	8.0	40.8	82.7	78.7	74.7
Provisions	0.0	0.4	0.4	0.4	0.4
Other	0.3	0.0	0.0	0.0	0.0
Total non-current	**8.3**	**41.1**	**83.1**	**79.1**	**75.1**
Total liabilities	**45.7**	**86.4**	**132.3**	**129.0**	**125.6**
Net assets	**14.1**	**21.3**	**37.9**	**48.7**	**63.0**
Shareholders' equity	14.1	21.6	37.9	48.7	63.0
Outside equity interests	0.0	(0.3)	(0.0)	(0.0)	(0.0)
Total equity	**14.1**	**21.3**	**37.9**	**48.7**	**63.0**

DCF valuation			
PV of free cash flows	148.3	Terminal value year	FY33
PV of terminal value	131.2	Beta	1.50
Enterprise value	279.5	Cost of equity (%)	14.3
Net debt	21.0	Cost of debt-AT (%)	5.8
Equity value	258.5	Debt to EV (%)	21.2
Shares on issue (FD)	58.3	Equity to EV (%)	78.8
DCF valuation per share	**$4.48**	**WACC (%)**	**12.5**

Comparables	FY22	FY23
ASX300 5yr ave EBITDA multiple		10.5x
FND FY24 EBITDA forecasts		24.9
Projected EV		261.9
Less net debt		21.0
Equity value		240.9
Shares on issue		58.3
Comps value per share		**$4.13**
Equally weighted DCF and FY23 peer valuation		**$4.31**



Cashflow ($m)	2022a	2023a	2024e	2025e	2026e
EBITDA	(0.0)	16.8	24.9	32.1	38.0
Net interest	(0.2)	(4.1)	(5.1)	(6.3)	(5.9)
Tax	(0.0)	0.0	0.0	0.0	(4.3)
Other (incl working capital adj)	(1.9)	(8.0)	3.2	(1.8)	(0.7)
Operating Cashflow	(2.2)	4.7	23.1	24.1	27.1
Capital expenditure	(0.1)	(32.2)	(8.0)	(11.4)	(9.6)
Net investment purchases	(4.3)	3.5	(21.4)	0.0	0.0
Other	(4.1)	0.0	0.0	0.0	0.0
Investing Cashflow	(8.4)	(28.7)	(29.4)	(11.4)	(9.6)
Proceeds from equity issuance		4.0	11.2	0.5	0.0
Net proceeds from borrowings		37.1	37.6	(4.0)	(4.0)
Financing Cashflow	(11.4)	41.1	48.8	(3.6)	(4.0)
Net change in cash	(22.0)	17.1	42.5	9.1	13.5
FCF (op + inv cashflow)	**(10.6)**	**(24.1)**	**(6.2)**	**12.6**	**17.5**

Source: Company reports and MST Access

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Thesis: Riding Growth in the Indian Payments System through ATMs and Digital Services

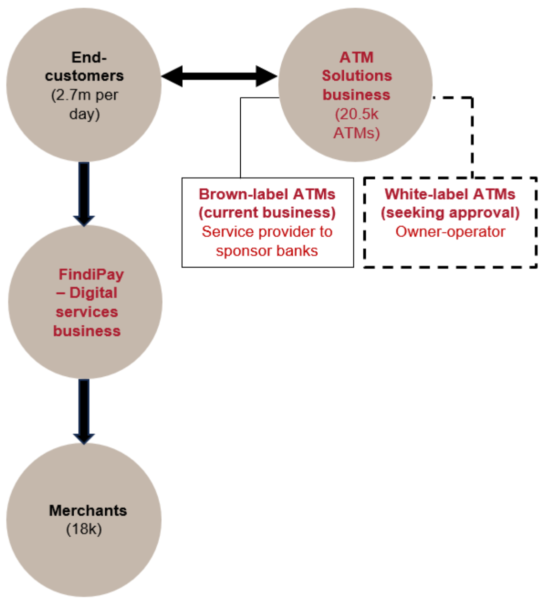
Findi is a central player in the Indian payments solutions market, one of the world's largest developing markets, where cash is still king. The company provides digital banking, last-mile payments and ATM solutions to institutions, businesses and individuals across India.

Findi is the only Australian-listed company to provide direct access to the emerging Indian fintech market. The company's operations involve 650+ employees, back office and field staff servicing >30,000 locations (split between 8k merchants and 20.5k ATMs) and nearly 2.7m customers each day across India. This payments and ATM network currently facilitates almost 1 bn customer transactions per year.

Findi's two primary business segments include:

- ATM solutions, which includes deployment and management of ATMs
- FindiPay, which facilitates digital banking and e-commerce payments services.

Figure 1: The payments ecosystem in India: Findi activities highlighted in red



Source: Findi, MST estimates.

Strong ATM footprint subsidises growth in digital bank offerings

ATM solutions for a market that loves cash

Findi's ATM solutions business holds a leading footprint across India, serving a market where there is a strong preference for cash transactions (more than 1 bn transactions processed in FY23). This division contributes significant cash flow that continues to help fund Findi's digital platform, FindiPay.

To further enhance its ATM business, we expect Findi to receive licensing approval to operate white-label ATMs (with its own branding as the owner-operator), which will complement its existing brown-label ATM network (branded and partially managed by sponsor banks and serviced by Findi). This will reduce the business model's risk profile and facilitate cross-selling opportunities for FindiPay.

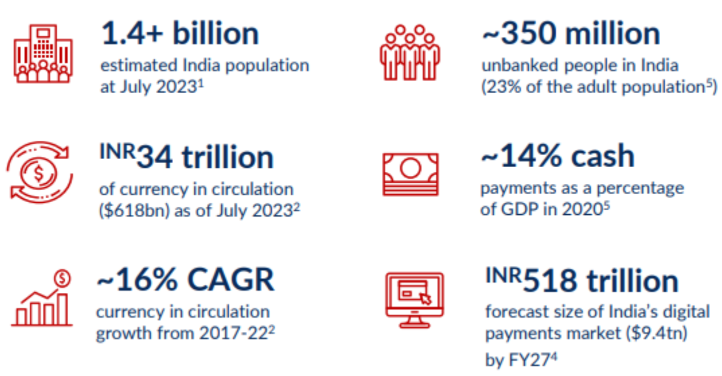
Digital platform ready for a future shift

With a broad array of services, FindiPay is positioned to be an influential entity in the gradual shift of India's banking sector towards digital platforms within the coming decade, thereby enhancing access to financial services for the Indian population in urban and rural areas. At the same time, the culture of cash transactions in India means that Findi will continue to benefit strongly from its existing ATM network for a long time to come. All of this is driven by the fact the Indian Government needs to lift the tax base in India from a very low 5% of the population. To do this, the Indian Government is requiring its citizens to establish a bank account, from which the cash is usually withdrawn via the ATM network. Much of this cash then gets recirculated via the digital network through platforms such as FindiPay. Thus, Findi has inserted itself into both the cash and digital ecosystems within India.

Macro tailwinds driven by one of the world's largest marketplaces

India is primarily a cash economy, and we believe this preference for cash will remain prevalent even as the digital payments segment grows strongly. Currency in circulation and cash payments as a percentage of GDP are both on the rise, while the country's digital payments market is forecast to hit US$9.4 trillion by FY27 (see Figure 2). Findi is well positioned to provide both cash and digital solutions to help India's 1.4 bn people carry out fundamental banking activities necessary for daily life.

Figure 2: Market opportunity for Findi's growing network of 20.5k ATMs and 8k merchants



Source: Findi – from (1) United Nations, (2) Reserve Bank of India, (3) The Economic Times, (4) PwC India, (5) The World Bank.

Financials

Findi remains on track to deliver previous FY24 guidance of revenue of $67.3m (+23.5% yoy), EBITDA of $23.6m, and operating cash flows of $20.6m (+341% vs FY23 at $4.7m), respectively. In the most recent half alone, the group reported total revenues of $31.8m, EBITDA of $12.6m (resulting in net profit of $1.1m) and operating cashflows of $19.4m (compared to +$4.7m in all of FY23), which is tracking ahead of guidance. Longer term, we see EBTIDA reaching $47.4m in FY28 and EBITDA margins growing gradually higher from ~38% currently to a terminal rate of 43%. This is marginally below recent long-term SBI contract guidance, provided by Findi, of EBITDA margins of ~45% at the midpoint of the guidance range (EBITDA of $265m; Revenue of $585m over the 10 year contract).

Valuation

Our valuation of Findi is based on an equally weighted discounted cash flow (DCF) and market-based EBITDA multiple, which leads to a base-case valuation of $4.31 per share (to the nearest cent). Our DCF assumes a WACC of 12.5%. For our EBITDA multiple, due to limited data available and difficulty associated with direct comparison, we apply a more general market approach by referencing the 5-year average EV/EBITDA multiple for the ASX300 of 10.5x (which is below our peer average).

Catalysts

With the business well-funded, Findi is positioned to pursue its growth strategy involving acquisitions for additional ATMs, acceleration of expansion plans (including the FindiPay digital payments business), and roll-out of white-label ATMs post approval from the RBI. Near-term catalysts for the company involve receipt of its white-label ATM licence, expansion of its ATM network and digital services offerings, and execution of the IPO expected for TSI India, which should provide valuation read through.

Management team

Findi's management team and board of directors have together delivered strong growth since the full takeover of TSI in February 2022. The executive team has deep knowledge of the Indian ATM and digital payments landscape, leveraging their expertise for company growth. Findi is led by CEO and Managing Director Mohnish Kuma, who joined the TSI India team in 2006. Mr Kuma has 15 years' prior experience as a Citibank Director with a comprehensive background spanning the retail and corporate banking sectors in India and abroad.

The Board of Directors has been significant in strategic planning, forecast development, rebranding and capital management, adding expertise from Australia's world-leading financial services market. The Board is led by Non-Executive Chairman Nicholas Smedley who has previous experience as an investment banker and M&A advisor, having spent 14 years at UBS and KPMG alongside seasoned ASX CFO, Simon Vertullo, and e-commerce and fintec investor and C-Level Executive, Jason Titman.

Company Overview: Two Complementary Businesses with Huge Reach & Growth Potential

Findi is a fintech company with operations principally located in New Delhi, India. The company provides vital financial services, namely ATM and digital banking services, to one of the world's largest and fastest-growing addressable markets. Findi provides transaction payment solutions for leading public- and private-sector banks and white-label operators across India with complete end-to-end transaction processing and managed services capabilities.

Company history

Beginnings and brand changes

Findi has over 14 years of expertise in the Indian consumer payments sector. It was established by two Australian fintech investors, under the entity name Transaction Solutions International (India) Pvt Ltd (TSI India), and is led by an India-based team of executives with extensive experience in global payments gained from their previous work with other international banks.

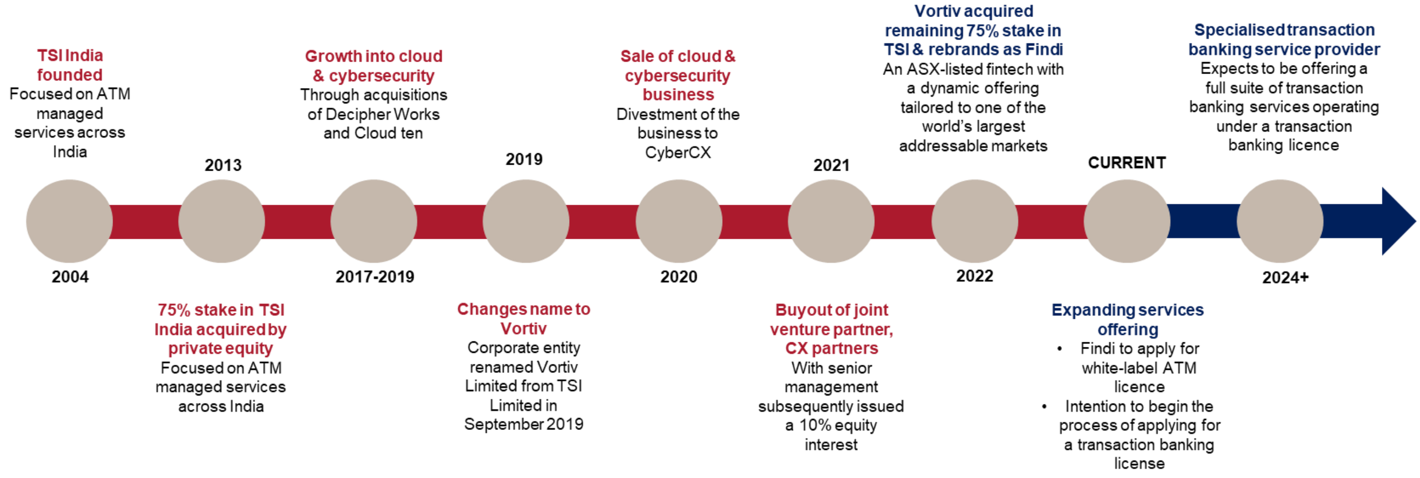
Much of Findi's current ATM and digital banking operations were previously undertaken with the entity name TSI India. Findi owned a 25% interest in TSI prior to a full takeover early in 2022, at which time it acquired the remaining 75%. Findi continues to operate in India under the name TSI India, with efforts underway to rebrand the entity to Findi.

Today's business mix and priorities

A transition to digital banking operations… Following the acquisition of TSI, Findi began implementing a strategic growth plan (see Figure 3), which was focused on ATM growth and digital payments and e-commerce solutions. The company is transitioning from being solely an ATM service–focused provider to becoming a leading digital bank and a dynamic payments company in India. Findi's business now enables peer-to-peer payments, e-commerce transactions and a variety of other digital payment solutions, using the free cash flow generated from ATM operations to expand its electronic payment and financial services across India.

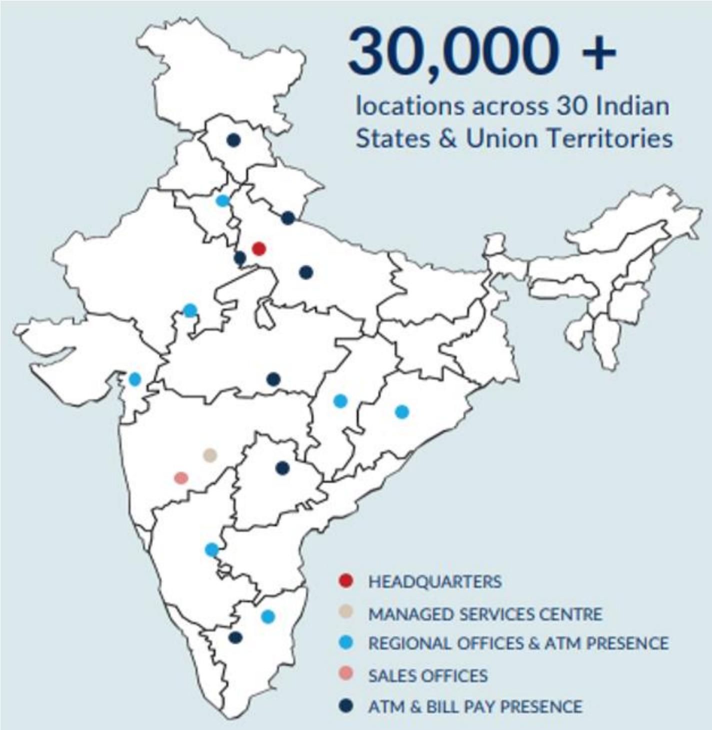
…along with a firm hold on its critical ATM network. While Findi continues to grow its digital services business, the company remains well positioned to capitalise on its ATM network, as cash continues to be (and will likely remain for a long time) a significant driver of transactions. Its network covers more than 30 States and Union Territories in Pan-India, servicing 30k locations, including ~20.5k ATMs (see Figure 4).

Figure 3: Historical corporate timeline and near-term strategic plan



Source: Company data.

Figure 4: Footprint over a growing network of more than 20.5k ATMs and 8k merchants



Source: Company data.

ATM solutions business (~90% of group revenue)

Findi's ATM business unit provides ATM deployment and management services to large financial institutions. Findi earns installation, leasing, maintenance and fee-for-service revenue under long-term (typically 5-year) contracts with large financial institutions. The business currently services more than 40 financial institutions and 2.7m daily customers, catering to Indians' current preference for cash.

Findi's ATM solutions business comprises two types – brown-label ATMs (currently operating) and white-label ATMs (application pending with the Reserve Bank of India [RBI]) (see Figure 5 for an overview of the two different types of ATMs).

The business segment is cash flow–generative and helps fund the growth of FindiPay, which is Findi's digital banking and e-commerce solutions arm. It also provides a cheap customer acquisition channel through its white-label ATM network.

The ATM solutions business currently accounts for approximately 90% of group revenue. However, longer term, management expects the share of revenues to be more evenly split between the ATM and FindiPay digital service businesses.

Figure 5: Brown-label vs. white-label ATMs – what's the difference?
(grey shading indicates areas for which service providers such as Findi have responsibility)

	Brown-label ATMs	White-label ATMs
Logo on ATM	Sponsor bank	Service provider
Ownership of ATM hardware	Service provider	Service provider
Servicing of ATM	Sponsor bank: • Cash management and reconciliation • Network connectivity Service provider: • Finding site and arranging lease • Site maintenance and power	Service provider
Other information	All of the functionality of a bank-owned ATM. No regulatory approval required – service provider is contracted directly to sponsor bank.	Most of the functionality of a bank-owned ATM, but no deposit or cash acceptance function. Service provider must obtain approval from RBI.

Source: MST Access.

Brown-label ATM operations (currently operating)

Brown-label ATMs are owned by a third party, such as Findi, but have the branding of the sponsor bank. Most ATM transactions in India are carried out on brown-label ATMs. As the ATM owner, Findi offers end-to-end services for its brown-label ATMs, including:

- providing the hardware
- installing the ATM
- maintaining the ATM
- conducting electronic surveillance.

Findi currently holds about ~7% of the brown-label ATM market and aims to grow this share to 10% in FY24. Two highly significant agreements underpin Findi's brown-label ATM operations – contracts with the State Bank of India and the Central Bank of India.

State Bank of India (SBI) contract

Findi is the largest ATM supplier for the SBI. The current agreement has recently been extended by 9 months until 30 September 2024. This contract extension seamlessly bridges the gap between the current and the new SBI contract set to commence in 2024. Under the current agreement, Findi will continue to own, manage and service 3,912 ATMs with SBI branding (3,160 offsite and 752 onsite). Over the 9-month extension period to 30 September 2024, Findi expects incremental revenues will be $27–$29m, resulting in $9–$10m EBITDA (Findi's guidance for FY24 remains unchanged as the continuation of the current SBI contract beyond 31 December 2023 was already factored into this guidance).

Central Bank of India (CBI) contract

Findi recently announced a 5-year agreement for 2,550 ATMs, with the potential to add a further 625. Most of the ATMs deployed are located in rural and semi-rural areas of India, where cash transactions are far more prevalent. As part of the agreement, Findi will prepare sites, supply, install and commission the ATMs, provide ongoing services and support, and conduct e-surveillance (this capability was a major contributor to the deal). Rollout of the agreement is expected during the current half and the contract is set to conclude in December 2027 (with the option for the CBI to extend by 2 years). To date, for ATMs in place for more than 90 days, trends show more than 100 transactions conducted at each ATM per day (vs the company's initial forecast of 75). Findi management expects the CBI contract to deliver $25–$30m in revenue annually, translating to $11–13m in EBITDA per year.

Under this contract, Findi implemented the proprietary Ticket Management Platform (TMP), reducing monthly recurring costs incurred by Findi while enhancing functionality. This includes key features such as seamless integration of multiple customers, vendors and inhouse applications, scalability with multiple switches delivering a scalable platform, elimination of third-party vendor dependencies and protection of Findi's IP. Findi is also focused on additional initiatives to drive contract value, which involve debit cards to improve activation ratios and drive additional customer transactions.

White-label ATM operations (application awaiting approval)

White label ATMs are owned, operated and branded by the same party. Findi currently provides only back-end contractor services to white-label ATM operators in India. Findi estimates that as of March 2023, approximately 35k white-label ATMs are located across India, which is equivalent to 14% of total ATMs.

Findi has recently submitted a licence application to be an owner-operator of white-label ATMs in India. Upon approval, Findi expects that close to half its ATM network will become white-label by the end of CY24.

Operating white-label ATMs will benefit Findi by:

- **providing a unique opportunity to improve margins,** as Findi will keep all related transaction fees (up to INR 17 per transaction) rather than having to pay a large portion away, as is the case with brown-label ATMs (primarily due to the ATM's use of a bank's branding).
- **shortening the cash cycle,** with transaction fees paid up front (at the time of transaction), vs. the period of up to 120 days before payment is received from brown-label ATM operations.
- **creating cross-selling opportunities** to its customer network alongside its digital banking activities through FindiPay (digital banking—see next section). Findi will be better able to fully monetise customer activity by analysing customer data and offering cash and digital payments at ATM locations. Customers could then also be directed to the FindiPay business – a further opportunity to grow digital payments, increase usage of the digital app wallet and expanded services. Findi's digital wallet will be similar to those found in western developed markets, but will also include various services which are tailored to the Indian market, all from a single app. The digital wallet app is expected to provide a new level of financial inclusion for consumers in India.

New 10-year agreement from 1 October 2024 with SBI

Beyond the current SBI agreement discussed above, Findi recently announced a new 10-year contract with SBI (7 years with a potential 3-year extension) to commence from 1 October 2024. Under the terms of the contract, the company will provide 3,375 ATMs, with potential to add 844 more within 12 months of the contract's start date (potential for 4,219 total). These existing SBI ATMs will be transitioned across to the Findi white-label ATM network (owned and branded by Findi). A major benefit of simply replacing the ATMs in existing locations is that end-users are expected to continue using the new ATM in the location they already know, which makes forecasting from existing foot traffic more predictable.

According to management guidance, expected revenues are $550–$620m over the duration of the agreement, resulting in EBITDA of $250m–$280m and an IRR of 35%. Importantly, Findi will also contract directly with SBI for the new agreement, rather than as a third-party provider (as is the case with the brown-label ATM agreement). Findi expects the contract to be fully funded by the company's free cash flow and existing bank facilities.

FindiPay: digital banking solutions business (~10% of group revenue)

Findi is capitalising on India's digital service revolution and its existing network by expanding into digital payments, capitalising on the growth in digital payments over the medium to longer term. This aligns with the global demand for integrated, cost-effective, and user-friendly digital payment methods, which are becoming the norm globally. Findi's network spans 30 States and Union Territories in India and the company is committed to bringing more modern financial services and capabilities to India's rural communities.

FindiPay's initial aim is to establish a comprehensive financial ecosystem for small and medium-sized enterprises, offering more than 20 accessible banking and financial services to rural communities on both desktop and mobile platforms. 82% of transactions are conducted on the desktop portal, with the remaining 18% of transactions conducted on the mobile app. Services include:

- banking – direct money transfer; account opening; cash withdrawal and deposit
- financial – payment gateway; digital wallet; bill payment; insurance; Buy Now, Pay Later (BNPL)
- hospitality and tourism – train, airplane, hotel and bus bookings
- online super store – assisted e-commerce; gift cards; loyalty and rewards.

Services are provided to a number of B2B and B2C markets through Findi's growing network of physical stores and over 18,000 merchants, as of 30 November 2023 (management forecasts this to grow to 25k+ by 31 March 2024, equal to 90% growth since 30 June 2023).

B2B2C merchants – primary channel currently

Findi offers last-mile payment and digital banking services through a network of merchants (Findi's direct customers). These merchants enable a suite of services to end customers (Indian consumers). Merchants:

- assist customers with banking, utility bill payments and money transfers, as well as e-commerce, train, and airline ticket transactions, aided by the merchant's reliable internet
- understand how to make both card and cash transactions online for end customers, undertaking payments on the Findi platform
- take delivery of physical items, which are then collected by the end user
- are strategically located to cater to the company's target demographic in regional and rural areas, where people may not have the technologies (e.g., smartphones) needed to carry out basic financial service activities or where internet or phone service may be unreliable.

Figure 6: FindiPay stores positioned as financial transaction hubs securing transactional revenue in both the cash and digital economies

Source: Findi.

In providing the service, FindiPay has various fee structures, dependent on the service, based on a percentage of gross transaction value.

Additionally, Findi is enhancing its payment platform to integrate features such as loyalty and rewards programs. Current areas of operational focus include:

- increasing the speed and automation of the process to onboard merchants
- enhancing support from the FindiPay business development/sales teams for merchants
- developing and providing a merchant education platform and business improvement dashboard portal.

B2C solutions – future channel

Over the next 2–3 years, management has highlighted plans to develop the business into a B2C provider of financial services as the Findi ecosystem grows. This will involve further evolution into a consumer-based technology, away from solely a merchant-based technology. As part of this longer-term growth plan, Findi will aim to obtain a transaction banking licence in India.

E-surveillance services

In addition, Findi offers an outsourced electronic surveillance solution to some of India's major ATM providers. This service evolved from Findi's internal efforts to optimise monitoring of its ATM fleet. Using machine learning (ML) and artificial intelligence (AI), the Findi development and operations team crafted an advanced electronic surveillance system. This system provides:

- proactive deterrence of security threats through real-time and event-based video monitoring
- sophisticated image analytics with two-way communication for early threat detection and real-time interaction with centralised monitoring control rooms rendering a longer lead time to prevent possible crime
- state-of-the-art, round-the-clock central monitoring
- monitoring via secured VPN, advanced 24x7 video surveillance and image analytics; bi-directional communication between the centralised monitoring control rooms and the ATM sites
- smart solutions such as electronic checks for services like housekeeping and site maintenance
- an interactive web interface for accessing up-to-date status reports and analytics.

Growth Strategy: Leveraging Strength in ATMs to Grow the Digital Services Offering

Both deepening and broadening the scope of operations

Findi's growth strategy is to build the ATM portfolio, expand FindiPay offerings, and leverage the white-label ATM licence strategy. Findi is evolving from being exclusively a brown-label ATM provider (as a service provider to major Indian banks) to also operating as a white-label ATM provider (as an owner-operator). Simultaneously, the company is expanding its scope, aiming to significantly broaden its capabilities to become a comprehensive digital payments bank, which involves seeking additional registrations under India's financial regulations over the next 2–3 years.

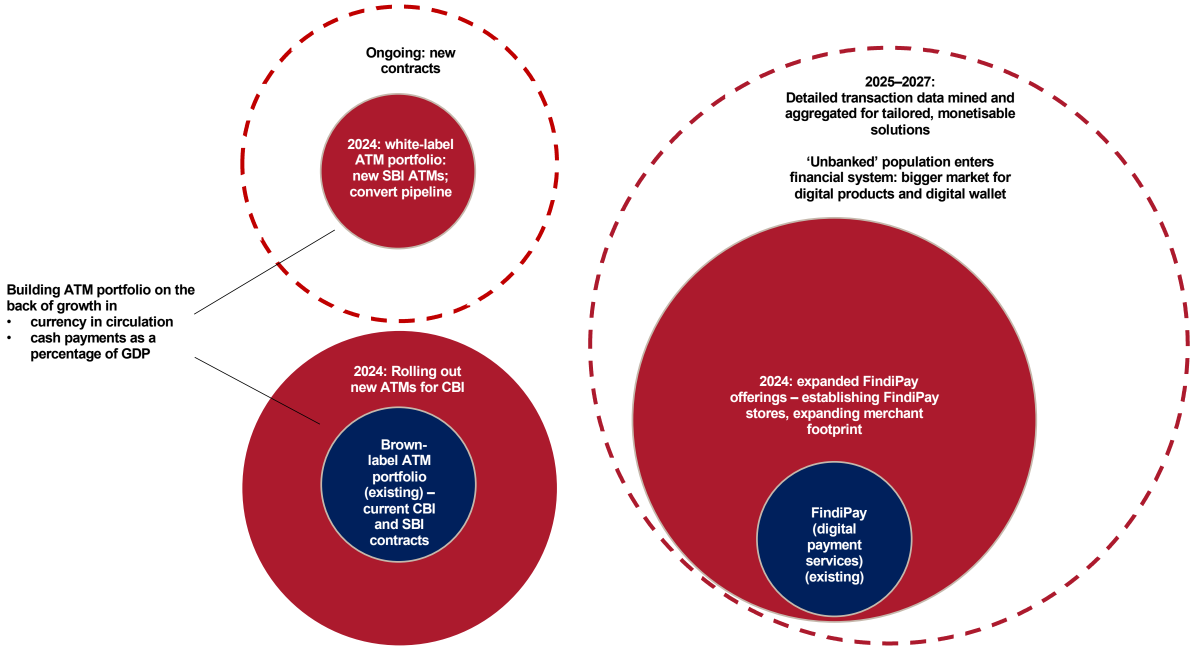
Strategic pipeline – organic and transaction-driven growth

Near term: growing Indian ATM share (organic growth): Near term, Findi's primary focus involves its ATM capabilities and network. Findi currently has a contract pipeline totalling over 7.5k brown-label ATMs, with expected deployment of an additional 4k ATMs during FY24. The company expects to grow its share of Indian ATMs to 10% in FY24, from 7% in FY23. Through an expanding network of ATMs and merchants, Findi aims to attract more than 7m daily customers (from 2.7m currently) who will drive substantial growth in transactional volume.

Findi's ongoing expansion in ATMs is supported by the large number of unbanked adults in India, with currency in circulation and cash payments as a percentage of GDP both growing (see next chapter). According to the World Bank, India has approximately only 18 ATMs per 100k people, vs. the global average of 39 ATMs per 100k people. Additionally, there are more than 350m unbanked adults in India, or ~25% of the total population (estimated to be 1.4 bn+) without access to basic financial services.

Longer term: growing revenue and scale with M&A (inorganic growth): Cash generated from Findi's existing ATM network will provide support for new contracts. It will also position Findi well to potentially undertake more M&A activity, as the industry looks to consolidate further from a highly fragmented status quo. This would allow Findi to grow its revenue and generate greater scale benefits.

Figure 7: Findi's growth strategy – expanding into new opportunities while leveraging current network (blue = current footprint; solid red = near-term growth; dotted red = potential longer-term growth**)**



Source: Findi, MST Access.

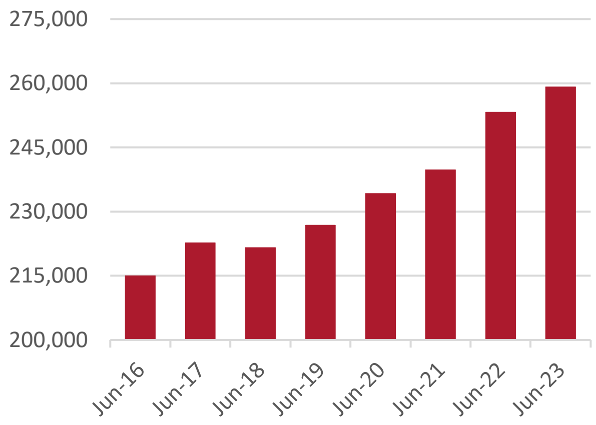
Industry Backdrop:
Cash Not Going Away in Huge Indian Market

Digital services are growing, but cash remains preeminent

ATMs, cash payments, cash in circulation all rising

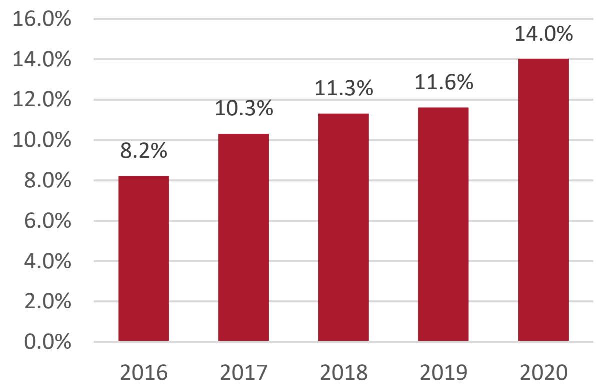
India, with its enormous population of 1.4 bn, remains a predominantly cash-based economy, particularly in rural regions where, according to the RBI, approximately 80% of e-commerce transactions are still conducted via cash on delivery (COD), where the customer pays the seller in cash at the time of delivery. Despite the strong growth of digital financial services, cash is expected to remain a dominant feature of the Indian economy for a long time to come, and growth in the number of ATMs in India over recent years has been strong (increase in interchange fees mandated by the RBI, activation of debit cards through ATMs and development of rural areas are additional drivers for the continued growth of ATMs). Only recently in 2020, cash payments as a percentage of GDP were ~14%, a 580 bps increase from 2016, according to the Reserve Bank of India. This compares with the global average cash-to-GDP ratio of ~9.6% (recent estimates according to Boston Consulting Group).

Figure 8: Number of ATMs in India



Source: Reserve Bank of India.

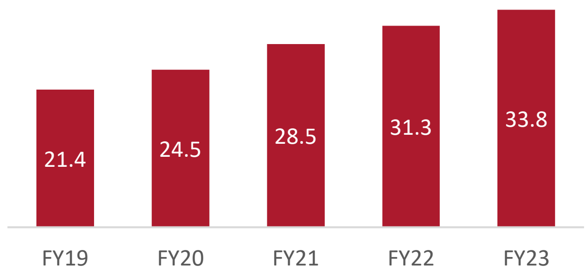
Figure 9: Cash payments as % of GDP



Source: Reserve Bank of India.

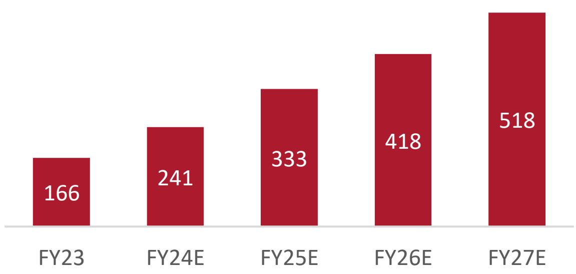
In the Indian financial transactions market, the RBI estimates cash in circulation has increased by 16% CAGR over the last 5 years (as of 2022 – see Figure 10), while 90% of e-commerce is still conducted via cash in non-metropolitan areas and up to 50% in urban areas. At the same time, the digital payments market continues to mature significantly as well (see Figure 11).

Figure 10: Currency in circulation as of June 2023 (4-year CAGR of 12.1%) (INR trillions)



Source: Reserve Bank of India.

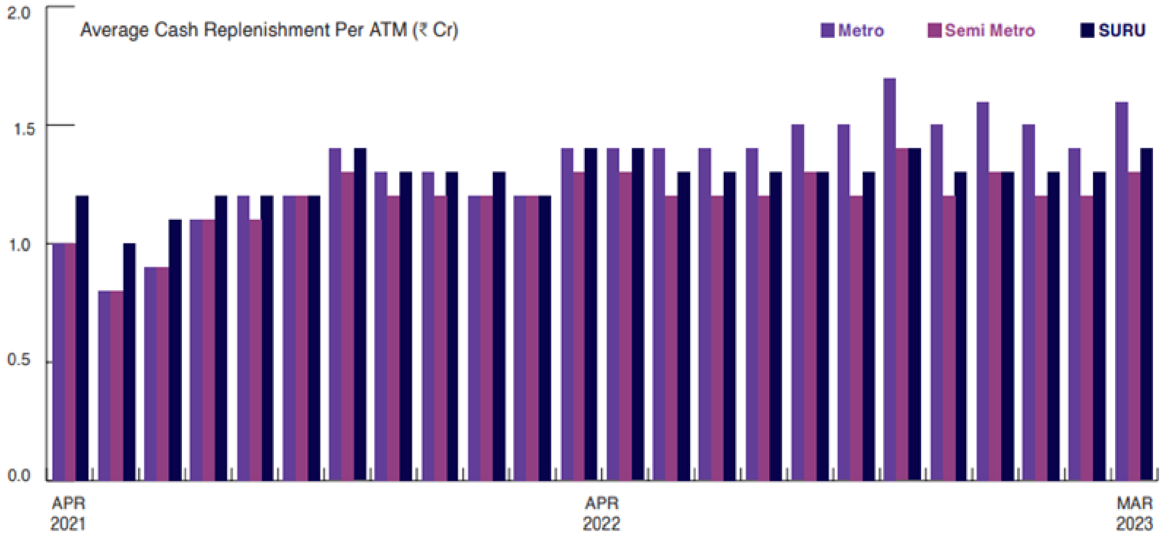
Figure 11: Projected digital payments market equivalent to ~US$9.4 bn (4-year CAGR of 32.9%) (INR trillions)



Source: PWC India.

ATM cash replenishments in semi-urban and rural (SURU) areas have been growing steadily, while cash replenishments in metropolitan locations have grown even faster (see Figure 12). The higher ATM cash replenishments (which result from higher cash withdrawals) can be partly attributed to increased inflation occurring during most of FY23.

Figure 12: Average cash replenishment per ATM data in India



Source: CMS Info Systems.

What factors support India's use of cash?

Despite the increasing adoption of digital payments in India, cash still remains extremely relevant to the country's economy. This is attributable to factors such as:

- a significant unbanked population
- cultural influences
- infrastructure limitations (such as access to internet connectivity and scattered power outages)
- security concerns for digital payments
- slower progress in financial and digital literacy.

A recent CMS 'India Cash Vibrancy Report' published this year further noted that 'cash in India continues to be a critical resource with no equivalent substitute across all key parameters that completely meets the need of consumers and businesses'.

While ATMs are becoming less prevalent in certain parts of western developed markets, including Australia, industry in India still expects that ATMs will continue growing (according to PWC India), even as digital banking grows as well. In the unlikely scenario that the growth of ATMs and cash payments remained flat from here, Findi would still stand to benefit immensely with its current footprint.

Regulatory backdrop – cash stumbled in 2016, but has more than recovered with RBI support

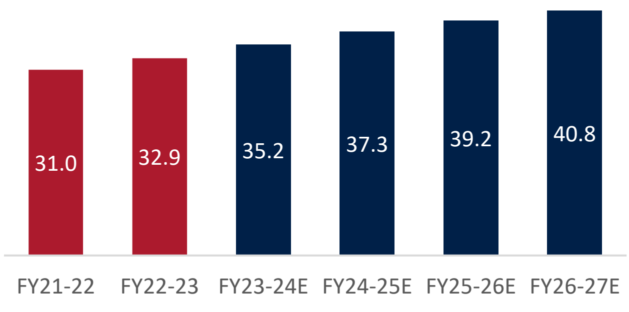
In 2016, the Indian government implemented a significant reform by abruptly withdrawing high-denomination banknotes from circulation. This initiative aimed to reduce the incidence of 'black money' (often associated with the informal economy and illegal activities) and counterfeiting, and to decrease the reliance on cash transactions. As a result of this reform, there was a substantial yet temporary reduction in the total currency in circulation. However, while non-cash payments have increased noticeably since then, the Indian economy remains predominantly cash-reliant. Total currency in circulation now surpasses the levels observed before the implementation of the reform (as reported by the RBA in a 2018 bulletin update).

Additionally, the RBI has granted permission to non-bank entities to establish white-label ATMs, a move aimed at increasing the geographical spread of ATMs for enhanced customer service, especially in SURU areas. This initiative is aligned with the bank's stated aim of fostering financial inclusion and has further supported the growth of the ATM-managed service market.

Digital payments growth in India – on the rise

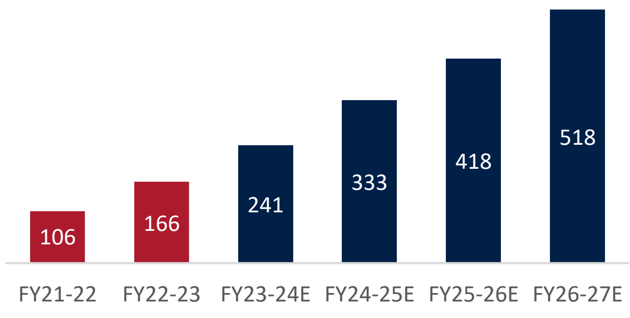
The Indian payments market continues to evolve. While cash remains a major mode of payment and debit cards continue to be used heavily for withdrawals (these trends are strong), the digital payments system is also growing significantly. With India's average age of 28, a digitally literate and increasingly educated population also presents a significant opportunity for digital services to continue growing in prominence and share.

Figure 13: Transaction volume of ATMs (INR trillions)



Source: Reserve Bank of India, PwC analysis.

Figure 14: Transaction volume of digital payments (INR trillions)



Source: Reserve Bank of India, NPCI, PwC analysis.

Currently valued at US$3 trillion, the digital payment market in India is experiencing rapid growth (see Figure 14), with projections indicating a more than threefold increase to US$10 trillion by 2026, according to India Brand Equity Foundation (IBEF), a trust established by India's Department of Commerce (part of the Ministry of Commerce and Industry). Digital payments in India saw transactional volume growth of 56% in FY22–23 and are expected to quadruple by FY26–27, according to PWC. Almost 40% of payments, by value, are now digital (IBEF).

Several factors are driving the growth of digital payments in India:

- the implementation of policies by the Government of India and the RBI to promote digital payments
- the emergence of fintech with new and innovative payment products to simplify the user experience
- the rising need for faster payment modes
- the rapid expansion of payment service providers (PSPs) building infrastructure to support smooth transaction flows
- a pandemic-led acceleration in changing customer preferences
- the growing merchant acceptance network
- the establishment of a financial services ecosystem in previously under-served segments (according to IBEF).

Competitive landscape – Findi's position is unique

All of Findi's competitors are either providers of ATMs or digital banking services providers. There is no competitor that does both. Findi is uniquely positioned as an end-to-end provider that can leverage its capability in providing basic cash services to further develop into a digital banking services provider as well (see Figure 15). Importantly, Findi's ATM coverage provides an economic way of acquiring customers to market digital services to and increase the company's wallet share.

Figure 15: Competitor offerings vs Findi

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 Transact Technologies Ltd	9%	✓	✓	✓	✓	✗	✓	✗
FIS	6%	✓	✓	✓	✗	✗	✗	✗
TATA	5%	✗	✗	✗	✓	✗	✓	✗
Euronet Worldwide	5%	✓	✓	✓	✗	✗	✗	✗
FSS Powering Payments	4%	✓	✓	✓	✗	✗	✗	✗
EPS	3%	✓	✓	✓	✓	✗	✗	✗

Findi's key differentiators

Source: Findi.

Financials:
Stable Volumes Lead to Predictable Earnings

Revenue forecasts scaffolded by contracted customer base

For FY23 (year-end March 2023), Findi recorded total revenues of $54.5m, EBITDA of $16.8m and net profit of $2.2m, which exceeded the company's original FY23 revenue forecast of $50m and EBITDA forecast of $14m. In the most recent 1H24 result, Findi reported $31.8m in revenue (+32% pcp), leading management to reaffirm full-year guidance (see outlook below). Much of the contribution currently is from the ATM business segment.

Revenue forecasting is made easier given more than 80% of Findi's revenue base is contracted, and the average contract length is almost 5 years (refer above to CBI and SBI contract highlights).

Transactional revenue earnt is relatively predictable and is generated by ATM activity, with 75–200 transactions expected per month depending on whether the ATM is white label or brown label. Brown-label ATMs tend to skew towards the higher end of that volume range (existing CBI and SBI ATM agreements are brown label), with the benefit of higher volumes to these ATMs partially offset by the fact part of the transaction fees are paid away by Findi to partner banks under brown-label agreements.

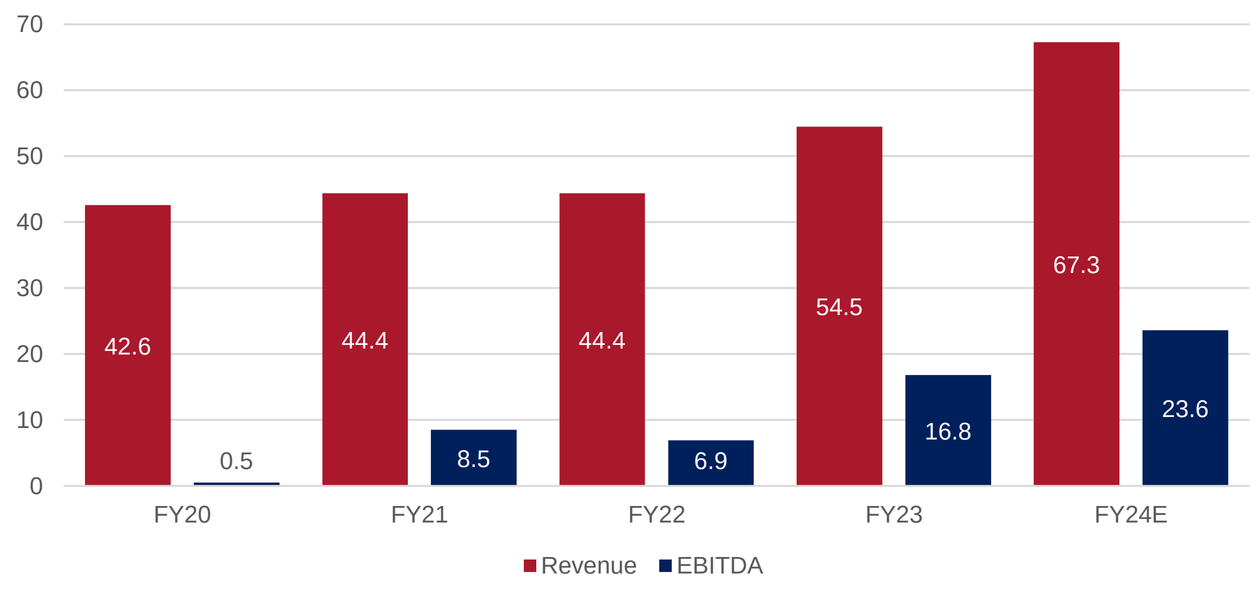
Brown-label contracts

Some brown-label contracts, including the CBI agreement, have minimum monthly guaranteed revenue amounts attached, mitigating the risk attached to transactional volume. For contracts with no minimum guaranteed revenue, Findi will only take on such agreements where there is demonstratable footfall traffic (use of the ATM), usually shown from pre-existing ATMs which would be part of the proposed agreement.

White-label contracts

For upcoming white-label contracts, the ramp-up period is expected to be slightly longer (typically 6–9 months) compared to brown-label ATM agreements. However, Findi stands to benefit from the additional risk given there is no pay-away of transactional fees to banks as there is with brown-label agreements, and fees earnt are received immediately (whereas transactional fee receivables can take up to 120 days to be received for some brown-label agreements, as is the case with the CBI contract).

Figure 16: Historical revenue and EBITDA and near-term outlook for Findi (A$m) with management estimates



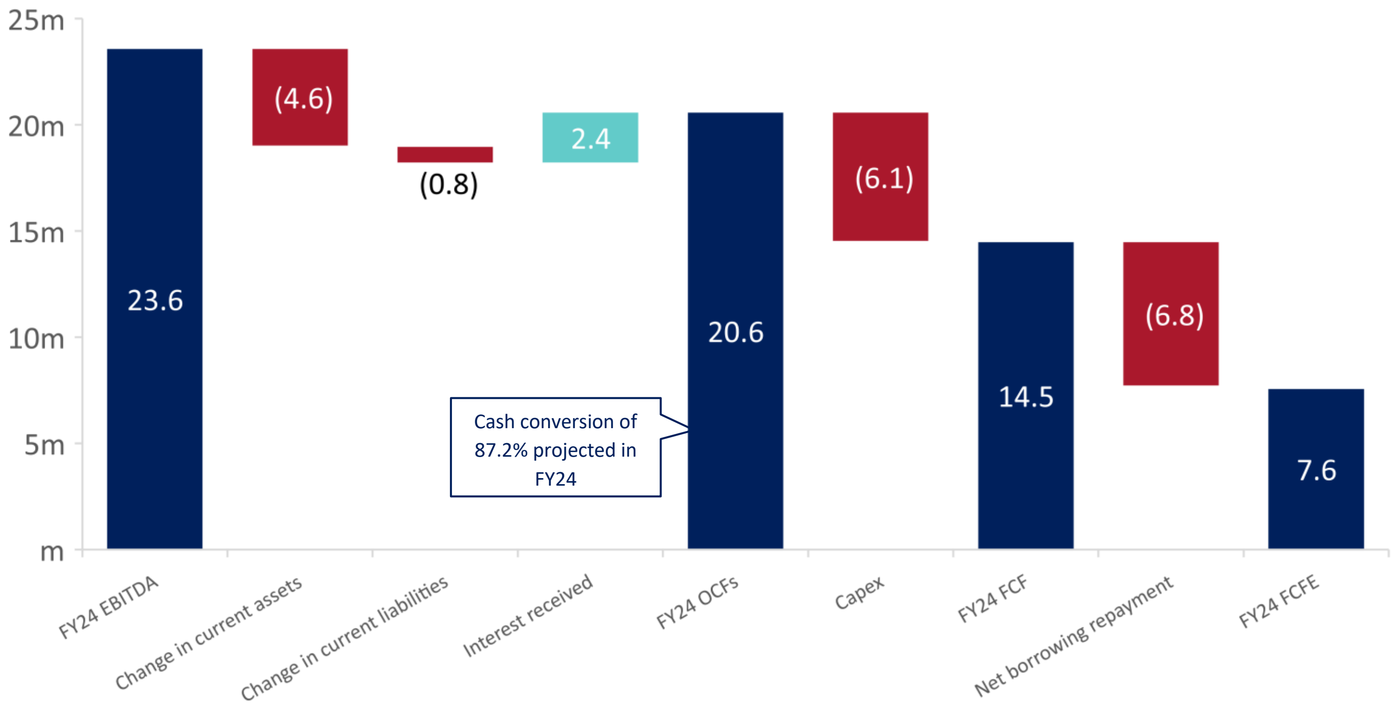
Source: Company data.

FY24 outlook

Findi remains on track to deliver previous FY24 guidance for revenue of $67.3m (+23.5% yoy), EBITDA of $23.6m and operating cash flows of $20.6m (+341% vs FY23 at $4.7m). In the most recent half alone, the group reported total revenues of $31.8m, EBITDA of $12.6m (resulting in net profit of $1.1m) and operating cashflows of $19.4m (compared to +$4.7m in all of FY23).

We forecast sales revenue to accelerate further to ~$78.8m in FY25 and $90.6m in FY26 and EBITDA to continue growing at ~50% yoy in both years as well. As announced by management, we expect positive operating cashflows will be used to fund strategic growth objectives (including inorganic acquisitions to incorporate more ATMs and gain further scale, acceleration of the white-label ATM strategy and expansion of its FindiPay digital services footprint), pay down debt and return value to shareholders through dividend distributions. Looking beyond 2024, we summarise our own profit growth forecasts in Figure 18.

Figure 17: EBITDA conversion to operating cashflows and overall free cash flow according to management guidance (A$m)



Source: Company data.

Figure 18: Key P&L items including MST forward estimates (A$m)

	FY23A	FY24F	FY25F	FY26F
Sales rev	53.1	65.7	78.8	90.6
EBITDA	16.8	24.9	32.1	38.0
EBIT	6.6	9.8	16.7	24.5
NPAT	2.2	4.4	10.4	14.3

Source: Company presentations, MST Access.

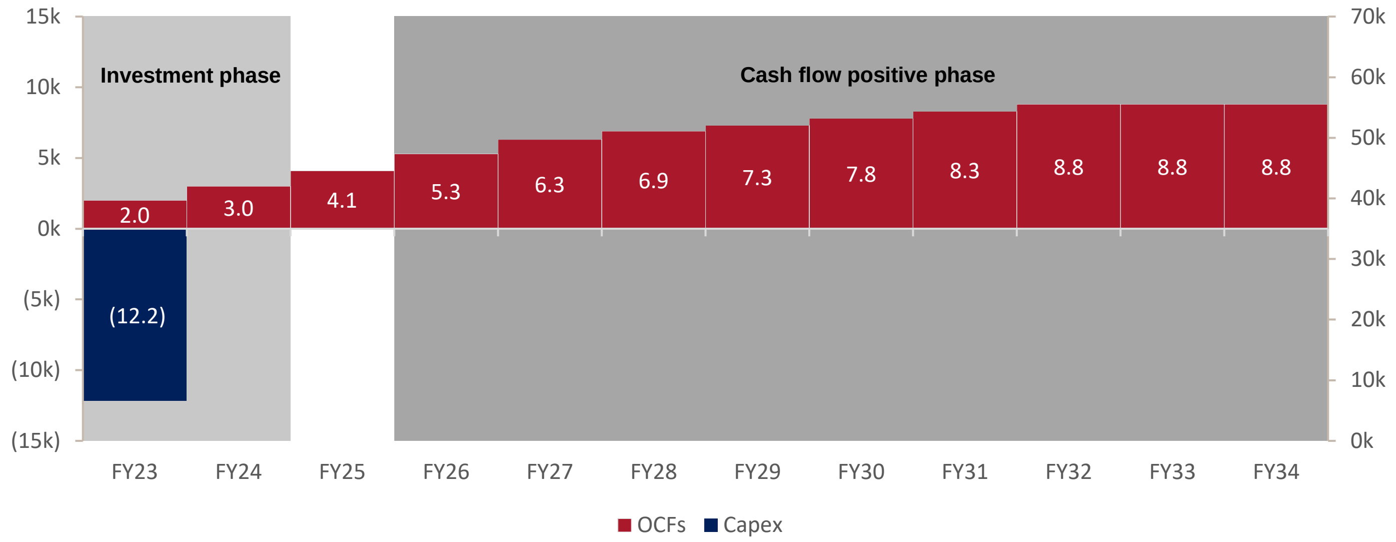
Breaking down ROI on an individual ATM

To understand cashflows at an aggregate level, it also helps to understand bottom-up return on investment on an individual ATM basis.

Management has provided the following guidance:

- ~$12.0k per typical brown-label ATM deployment, which includes the machine fit-out, back-up batteries, location expenses, and satellite link for wireless telecom connection. Once Findi receives its white-label licence, the company expects the deployment/replacement cost of existing brown-label ATMs (for SBI) to be approximately a third of this cost, or ~$4.0k.
- $65k + cumulative free cash flows over the ATM life of ~10 years (see Figure 19).
- This equates to ~35%+ IRR per ATM and a 3+ year payback period.

Figure 19: Illustration of the investment and cashflow return of a typical ATM over its ~10-year life



Source: Company data.

Figure 20: Single ATM payoff on a monthly basis – capex includes $700 for a very-small-aperture terminal (small satellite) which is not always necessary

Average per month ($)	FY23	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Revenue	321	662	772	861	937	974	1,013	1,054	1,096	1,140	1,185	1,233
Expenses	153	368	431	418	410	403	403	403	403	403	403	403
OCFs	**168**	**253**	**341**	**443**	**527**	**571**	**651**	**693**	**737**	**782**	**782**	**830**
Capex	(1,019)	-	-	-	-	-	-	-	-	-	-	-
FCFs	**(851)**	**253**	**341**	**443**	**527**	**571**	**610**	**651**	**693**	**737**	**782**	**830**

Source: Company data.

Pipeline

Findi's pipeline includes potential deals of 1k-2k ATMs each, with an aggregate pipeline covering approximately 7k ATMs. Given Findi's current position, and following existing deals won with CBI and SBI ahead of other major providers, the company remains a logical consolidator for ATM networks. We expect any future ATM deals and associated future capex (previously funded by corporate debt) to be supported by internal cash reserves.

Funding

Findi currently has cash and cash equivalents (including term deposits) of ~$85.3m based on our estimate as of 30 January 2024, taking into account the most recent half year report, the placement mentioned below and additional funds raised from the recent exercise of in-the-money options.

In mid-November, Findi announced that its Indian subsidiary, TSI India, raised $37.6m via placement of Compulsory Convertible Debentures (CCDs) to a leading Indian investment group, Piramal Alternatives. These CCDs must be converted to equity when TSI India (Findi's 100%-owned subsidiary, expected to be rebranded under the Findi name) lists on the Bombay Stock Exchange in the future as planned. The CCDs include an annual coupon payment of 8% and call option to buy back the securities at a committed IRR of 18%. Upon listing, the CCDs will convert to approximately 16.7% of the company once converted to equity. This implies a total market cap upon IPO for TSI India of ~$225m, which provides additional upside compared to the stated pre-IPO market capitalisation of $153m (post money $190.6m) based on an FY23 EV/EBITDA multiple equivalent to ~8x (FY23 EBITDA was $16.8m).

In addition, management recently confirmed the exercise of 11.9m options with strikes of $0.90 each, raising an additional $10.7m in cash. The extra funds means Findi's cash (including cash equivalents) position is ~$85.3m to be used for acquisitions for additional ATMs, acceleration of expansion plans (including the FindiPay digital payments business), and roll-out of white-label ATMs post approval from the RBI.

Piramal Alternatives background

The above-mentioned CCDs will be held by Piramal Structured Credit Opportunities Fund which is 75% owned by Canada's largest pension fund, CDPQ. The Piramal group is a global conglomerate with business stakes in pharma, financial services and real estate. The group is a leading institutional capital provider in India with multiple flagship funds that target the entire capital stack of high-quality corporates. The group has a strong track record of relative performance across asset classes and has extensive relationships with other major institutional investors including CPPIB, IFC, CDPQ and Bain Capital, as highlighted in the announcement. Its network covers 30 countries with presence in more than 100 markets, and more than 10k staff globally.

The deal follows significant due diligence undertaken by Piramal and further validates Findi's strategy and sector outlook. It also highlights how Findi is maturing as an emerging institutional investment proposition with direct exposure to one of the leading emerging markets globally.

Dividend policy

Findi has indicated that it will target a payout ratio of up to 30% of net profit after tax, before significant items. The policy will also take into account cash required for strategic initiatives and capital expenditure (e.g. to support further organic growth via contract acquisitions and inorganic growth as the payments sector in India continues to consolidate). While we note the dividend policy, we do not explicitly forecast any dividend payments currently.

Valuation of $4.31/Share Implies 2.7x Upside

Base-case valuation: Discounted cash flow (DCF) and EBITDA multiple weighted equally

We value Findi based on a DCF and market-based EBITDA multiples basis (both equally weighted), which leads to a base-case valuation of $4.31 per share (to the nearest cent).

On a standalone basis, our DCF valuation is $4.48 per share, over our forecast period out to FY33. Given the long-dated assumptions underlying the DCF, it is useful to benchmark this against a market multiple, hence our decision to weight our DCF and market multiple valuations equally.

Our market multiples–based valuation is $4.13 per share. We apply a 5-year average ASX300 EBITDA multiple of 10.5x to our FY24 estimate of EBITDA for Findi of $24.9m.

Findi has 48.8m shares on issue and 9.5m total options (exercisable at $0.90 per share and $2.00 per share) with various vesting dates, which we assume will issue giving a fully diluted share count for our valuation of 58.3m shares. The vast majority of options on issue are held by Findi's directors, providing incentive alignment between both management and performance of the company.

50% of base-case valuation = DCF

Key variables from our DCF valuation are shown in Figure 21.

Figure 21: Key DCF assumptions

NPV	$282.0m
Net debt (incl cash of ~$85.3m)	$21.0m
Equity value	$261.0m
Diluted shares (including options/performance rights with strike equal to or less than our valuation)	58.3m
Value per share	$4.48
CAPM	
Risk-free rate	4.5%
Equity beta	1.5
Equity risk premium	6.5%
Cost of equity	14.3%
Equity	78.8%
Weighted average cost of capital	12.5%

Source: MST Access.

Other key assumptions are detailed below:

- **Sales growth forecasts** of 20% in FY25, 15% in FY26, 10% in FY27/28 and 5% by FY29, which we believe are conservative particularly given the recent rates of ATM and merchant growth.
- **Gross profit margin** remains largely flat at 53%.
- **Opex costs:** consistently grow marginally higher at 3% p.a. (largest contributor being employment expenses).
- **EBITDA and cashflow positive in FY24 and beyond,** in light of the above assumptions. EBITDA margins to grow gradually higher from 38% to a terminal rate of 43%, which is marginally below recent long-term SBI contract guidance of EBITDA margins of ~45% at the midpoint of the guidance range (refer to page nine for further detail).
- **Capex:** Beyond the next couple of years where there is some additional capex involved with the expected transition of the SBI contract over to white-label ATMs, we assume ongoing capex to sales of ~5-6%.
- **Retained losses of $20.6m carried forward**, providing an ongoing tax benefit near term.
- **Terminal growth rate** of 3.5%.

50% of base-case valuation = market comparison using EBITDA multiples

Peer group provides interesting comparison… The peer group that we use for Findi is based on industry background, primary activity and global comparables, particularly those directly involved with financial services in India. We provide summary descriptions of each company in Figure 22.

Figure 22: Notable comparable peers

Company	Ticker	Business description
Transcorp International Limited	BSE: 532410	• Engages in the business of money changing, inward remittance, car renting services and organising tours and travels services
Delphi World Money	NSEI: DELPIFX	• Provides customised and integrated financial solutions, relating to foreign exchange services, outward & inward remittances, prepaid cards, gift cards, and travel insurance needs
AGS Transact Technologies Limited	NSEI: AGSTRA	• Provides omni-channel payment solutions such as ATM and CRM outsourcing, cash management, transaction switching and electronic payment • Provides ATMs and CRMs, cash dispersers, currency technology products, software, self-service terminals, and annual maintenance contract services
CMS Info Systems Limited	NSEI: CMSINFO	• Specialises in end-to-end ATM services including replenishment, cash pick-up and delivery, network cash management, and ATM software solutions • Offers managed services, brown-label ATM deployment and management, multi-vendor software and automated security software solutions for ATMs
Infibeam Avenues Limited	BSE:539807	• Provides digital payment solutions, data centre infrastructure, and software platforms for businesses and governments • Offers CCAvenue, for e-commerce merchants to collect payments online, and BillAvenue, a platform for recurring bill payment services
Network People Services Technologies Limited	NSEI: NPST	• Develops digital payment solutions and provides IT services to banks, financial institutions, and merchants
Capital India Finance Limited	BSE:530595	• Provides small business finance and retail finance comprising various loans • Operates RapiPay, a payment solutions; and RemitX that offers foreign exchange products and services

Source: Company data, FactSet, MST Access.

…but we use the market EBITDA multiples as a key valuation input. Direct comparison of Findi with a peer group (by way of business type, function and size) is difficult, particularly given the various revenue segments and strengths of different peers. There is also limited consensus estimate data for FY24e, although an average of Infibeam Avenues and CMSInfo Systems gives a multiple of 19.5x (see Figure 23 – below).

To overcome the challenge of limited available data and the difficulties associated with direct comparison, we apply a more general market approach by referencing the 5-year average EV/EBITDA multiple for the ASX300 of 10.5x (more conservative than the average peer multiple of 19.5x), which leads to a valuation of $4.13, marginally below our DCF valuation (see Figure 23 – bottom).

Figure 23: Peer group comparison using EBITDA multiples

Comparables	Ticker	Market Cap	Enterprise Value	EBITDA FY23	EBITDA margin FY23 (%)	EBITDA FY24E	EBITDA Multiple FY23	EBITDA Multiple FY24E
Transcorp	532410-IN	22.6	19.5	0.6	0.1	-	33.9x	-
Delphi World Money	533452-IN	58.0	47.7	2.1	0.4	-	22.3x	-
Capital India Finance	530879-IN	187.7	307.3	-3.0	-2.5	-	-	-
Infibeam Avenues	539807-IN	1,795.7	1,741.0	43.1	7.6	57.5	40.4x	30.3x
AGS Transact Technologies	543451-IN	262.3	392.9	48.3	16.7	-	8.1x	-
CMS Info Systems	543441-IN	1,186.5	1,111.5	107.3	27.5	127.5	10.4x	8.7x
Average - Comparable Companies		**585.5**	**603.3**	**33.1**	**8.3**	**92.5**	**23.0x**	**19.5x**
Median - Comparable Companies		**225.0**	**350.1**	**22.6**	**4.0**	**92.5**	**22.3x**	**19.5x**

	EBITDA Multiple Projected Val
FND EBITDA FY24e ($m)	24.9
FND EV applying ASX300 5yr average EBITDA multiple of 10.5x	261.9
Less: net debt	21.0
Equity value	240.9
Shares on issue	58.3
Equity value per share	**$4.13**

Source: Findi, MST Access, Factset.

Near-term positive catalysts for share price and valuation

Rollout of white-label ATMs

A near-term focus of Findi is to obtain approval from the regulatory body for its licence to operate as a white-label ATM provider. Receipt of this approval and successful rollout of white-label ATMs would represent a positive catalyst for the stock, and further aid margin improvement given the removal of any 'pay away' of transaction fees typically associated with the operation of brown-label ATMs.

Additional acquisitions of ATMs via brown-label or white-label agreements

Additional ATMs added to Findi's network would add scale, increase transactional volumes and positive impact revenues and earnings. This would likely have a positive effect on the valuation and share price.

Capital and operating cost optimisation

Operating cost savings would have a positive impact on margins, cash flows and the valuation and would be a positive reflection on the company's management team. Replacement of brown-label ATMs with white-label ATMs would have this desired effect.

Potential read through on valuation from TSI India IPO

Upon TSI's public listing through IPO, the CCDs (face value of $37.6m) held by Piramal Alternatives will convert to approximately 16.7% of equity in the company. This implies a total market cap upon IPO for TSI India of ~$225m, which provides additional upside compared to the stated pre-IPO market capitalisation of $153m (post money $190.6m) based on an FY23 EV/EBITDA multiple equivalent to ~8x (FY23 EBITDA was $16.8m). The total current market cap of Findi (100% owner of TSI India) is $39m.

Key risks – mitigated by low technical complexity, scale and strong projected returns

Risks to our valuation and share price are detailed below. We believe these risks are mitigated by:

- key partnership agreements with major stakeholders in India, including the CBI and SBI
- the strength of Findi's existing ATM network across India
- strong cash generation from the existing asset base.

Competitive risks

Findi navigates a competitive landscape, contending not only with ATM providers but also digital banking services providers. Some competitors are larger, with greater financial, technical and human resources. Findi has little control over the actions of competitors which may negatively impact its own market share and performance. However, as an end-to-end provider, Findi stands alone in seamlessly delivering basic cash services and digital banking – a unique offering that sets it apart from competitors.

Government policy changes

The industry in which Findi operates remains subject to governmental action or changes in government policy. In particular, the Indian government's preference for non-cash payments poses a potential risk of policy changes, particularly involving cashless initiatives. This could negatively affect Findi by resulting in reduced cash transactions, thereby impacting ATM usage. Additionally, changes in relation to cyber-security, taxation and data protection may have unfavourable consequences for Findi.

Legal risk

Findi is governed by applicable laws and regulations, particularly financial regulations, in India and must ensure its operations are compliant. Breaches or non-compliance with applicable legal frameworks could result in penalties and other liabilities.

Currency risk

Findi receives most of its revenue and incurs most of its costs in Indian rupees. Any changes in the exchange rate between INR, AUD and USD may have a direct and immediate effect on the financial, operational performance or valuation of the company.

Operational disruptions and/or cost increases

Technical failures, system glitches, or power outages could disrupt Findi's ATM and digital banking services, leading to customer dissatisfaction and financial losses. Operating cost increases have a negative impact on margins, cash flows and the valuation and would be a negative reflection on the company's management team.

Cyber and data security

A cyber-security attack on Findi's digital payment transactions could render it unavailable for use by customers. This could negatively impact the company's reputation and revenue. Any event causing a breach of data security could compromise the personal information of Findi's digital payment customers. This could hinder the company's ability to retain existing customers or attract new customers, which would have a material adverse impact on its operating and financial performance.

Board and Management

The Board of Directors has played a significant role in Findi's strategic planning, forecast development, rebranding and capital management, alongside an experienced Executive Team, leveraging deep knowledge of the Indian ATM and digital payments landscape.

Board

Nicholas Smedley – Non-Executive Chairman: Nicholas Smedley is an experienced investment banker and M&A advisor, with 14 years' experience at UBS and KPMG. He has worked on M&A transactions in the UK, Hong Kong, China and Australia with transactions ranging from the A$9bn defence of WMC Resources through to the investment of $65m into Catch.com.au. Mr Smedley currently oversees investments in the property, aged care, technology and medical technology space. Key areas of expertise include M&A, debt structuring, corporate governance and innovation. He is Executive Chairman of Respiri Limited (ASX: RSH) and a Non-Executive Director of AD1 Holdings Ltd (ASX: AD1). Mr Smedley holds a Bachelor of Commerce from Monash University.

Simon Vertullo – Non-Executive Director: Simon Vertullo is an experienced board director, finance executive and consultant. He previously served as the CFO of an ASX300 company and Chairman of wi-fi and software technology business, Donaco International, while also having a background in corporate advisory services with KMPG and KordaMentha. Mr Vertullo is a Chartered Accountant with significant exposure in listed and private company roles in complex situations in Asia, Europe and Australia. He holds a Bachelor of Commerce from the University of Queensland and is a Graduate of the Australian Institute of Company Directors.

Jason Titman – Non-Executive Director: Jason Titman is a boutique investor who often takes an executive or board role to fast track the scale-up of the companies in which he invests. He has extensive experience as an advisory board member, CEO, COO and CFO across the e-commerce, fintech and crypto sectors. This experience includes cross-border experience in the US, South East Asia, UK and India. Mr Titman is also a Graduate of the Australian Institute of Company Directors and a Chartered Accountant, and holds an MBA from University of Queensland.

Key management

Mohnish Kumar – Managing Director & CEO: Mohnish Kumar joined the TSI India team in 2006. He holds an MBA and has over 30 years of marketing and new business development experience in the FMCG, consumer durable and financial services areas. His roles at Citibank, where he was a Director, spanned 15 years and included creating, developing and executing the business plan for a range of prepaid card, cross-border payments and cash management offerings across the Indian retail and corporate bank.

Deepak Verma – Executive Director and CFO: Deepak Verma is an experienced finance professional with 20 years of telecom and financial services industry experience. Prior to joining TSI, Mr Verma held leadership positions at Bharti Airtel and Kroll. At Airtel, Mr Verma spearheaded finance for various strategic and transformation initiatives nationally for the ATM network factory, broadband and data business, and retail and online business. Mr Verma is a Chartered Accountant and a Commerce graduate from Delhi University.

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