

Equity Research | CRUNCHFISH: Clearing the books in preparation for breakthrough in 2024

In line with the already communicated ambition to divest its Gesture Interaction business, Crunchfish decided to write down all GI-related IP to zero, along with all Digital Cash IP not related to offline payments, in a total impairment of SEK 18m. With the Digital Cash protector, Crunchfish now aims for some central integration for improved security of existing Digital Cash offers, ideally at a central level in UPI Lite X, which would mean a significant breakthrough into the Indian payment ecosystem. While the investment case remains somewhat binary, we continue to find support for a fair value of SEK 13-16 per share.

SEK 18m write off in Q4'24

In early February 2024, Crunchfish announced that it was looking to divest its Gesture Interaction business as a review had shown that it would be difficult for the company to succeed as an independent developer. In line with this, Crunchfish have now chosen to write off all its GI-related IP as well as all IP in the Digital Cash business that is not related to offline payments. With net sales of SEK 333 000 in Q4'23 this resulted in a net loss of SEK 27m. Cash position amounted to SEK 31m (net cash at SEK 29m) meaning that with 25% reduced OPEX following a divestment of GI, Crunchfish should be financed at least into Q4'24. This again underscores the importance of securing fresh commercial deals in 2024 to avoid any further financial concerns.

Digital Cash protector the spearhead in 2024

After NPCI's launch of UPI Lite X in H2'23, that offers a version of offline payments similar to Crunchfish's solution, we now see Crunchfish's Digital Cash protector, that offers increased offline payment security for UPI Lite X and eRupee offline wallets, as the Company's primary avenue forward in India. In addition, Digital Cash offline still carries the potential for large scale rollout with banks and other payment system providers inside and outside India, as well as the Company's Digital Cash telecom offering. Now the best-case scenario for the coming year would involve a deal for a central integration for improved security in some national scheme, although it could also take the form of a license deal with individual banks or payment providers.

Clearer path forward

All in all, we now see a clearer path forward for Crunchfish in the new Indian landscape following last year's launch of UPI Lite X, where Crunchfish offers improved security for offline payments for UPI Lite X and eR offline wallets, which CEO estimates to represent an unchanged revenue potential. The investment case however remains somewhat binary, and we maintain our WACC of 25% to reflect this. All in all we continue to find support for a fair value of SEK 13-16 per share.

Read the full report here: https://www.emergers.se/crunchfish_p24/



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