

CRUNCHFISH: Video interview with CEO (SWE) + Streamlining for breakthrough in 2024

Crunchfish has now announced that it intends to divest its gesture interaction business. While this means a logical and shareholder-friendly streamlining of focus on Digital Cash, it might prove difficult to achieve an attractive exit price. With the Indian market for real time offline payments beginning to crystalize following the last year's launch of UPI Lite X, we see good chances for fresh Digital Cash commercial agreements. While the investment case remains somewhat binary, we now find support for a fair value of SEK 13-16 (15-17) per share. See also our video interview (in Swedish) with CRUNCHFISH CEO Joachim Samuelsson about the planned divestiture of Gesture Interaction and the development in India.

Looking to divest Gesture Interaction

After a review of Gesture Interaction, Crunchfish has concluded that customers now tend to prefer inhouse solutions or Open Source, which means that it will be difficult for the company to succeed as an independent developer. As a consequence, CFISH has now engaged EY Corporate Finance to find a buyer for the business. A divestment is expected to lower operating expenses by 25%. However, around SEK 18m of the SEK 42.5m in Capitalized development on the balance sheet is attributable to Gesture interaction, which means that there is some risk for a write-down if the price tag in a transaction be too low.

Binary investment case with high potential

Regardless of the outcome of a divestment, the main focus of the case continues to be Digital Cash Offline with progress in India as the primary catalyst. We have previously stated that the cash injection from the rights issue in November 2023 of SEK 51.2m should sustain the company through 2024 (forecasting a cost base including Gesture Interaction of SEK 40m). However, it also underscores the importance of securing fresh commercial deals in 2024 to avoid any further financial concerns.

While Crunchfish is still in the process of finding its position in the new Indian landscape following last year's launch of UPI Lite X, it's worth keeping in mind that scale of several of the counterparts in India, like IDFC, means that a fully fledged deal could make Crunchfish profitable. But this also makes the investment case somewhat binary, and we maintain our WACC of 25% to reflect this. As new orders in India continue to be delayed, we are rolling forward the expected ramp-up in our forecast. With consideration for the uncertainties in India, we now see support for a fair value of SEK 13-16 (15-17) per share.

Read full report and see video interview here https://www.emergers.se/crunchfish_ov/



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