

Equity Research | CRUNCHFISH: Rights issue to capture the Offline Payments opportunity now rising on agenda in India

Crunchfish has announced a 60% guaranteed SEK 85 million rights issue. We estimate this will extend the company's runway almost another 18-24 months, which would finance operations to scaleup in India. However, the recent launch of NPCI's NFC-based (in-proximity) payment solution UPI Light X, partly similar to Crunchfish's Digital Cash Offline, has increased uncertainty in our forecast and the way forward in India. Factoring in the 25% dilution from the rights issue, our model now supports a fair value range of SEK 15-17 per share (SEK 21-29).

60% guaranteed rights issue at 37% discount

Crunchfish recently announced a 60% guaranteed rights issue of SEK 85m, offering shares at a subscription price of SEK 7.75. This represents a 37% discount compared to the trading price the day prior. Largest shareholder, Corespring Invest has pledged SEK 7.5 million, effectively covering the bridge loan acquired in August 2023. Additionally, Nordic Underwriting ApS, Buntel AB, and Formue Nord Marknadsneutral A/S have collectively committed to investments totaling SEK 43.7 million. In return, they will receive either a cash payment equivalent to 12% of the guaranteed amount or 12% in the form of newly issued shares. This will provide the company with more time to process and secure new opportunities on the Indian market.

Developing competitive landscape in India

Earlier in September, the company made another visit to India to take part in the Global Fintech Fest and to resume negotiations with HDFC Bank. The most significant development during this visit was the announcement by the National Payments Corporation of India, an umbrella organization under the Reserve Bank of India, regarding the launch of UPI Lite X. This has sparked discussions about potential patent infringements. UPI Lite X partly resembles Crunchfish Digital Cash, allowing for money transfer in proximity without the need for an internet connection. Crunchfish's offering extends beyond proximity-based offline payments. Digital Cash Telecom, currently implemented with IDFC First Bank, enables offline payments regardless of the geographical distance between the payer and payee. See our video interview for the full comment from CEO Joachim Samuelsson.

Dilution and visibility affecting our fair value range

We anticipate the company's burn rate to remain of SEK 40m per year. We also estimate that a fully subscribed rights issue of SEK 85 million (SEK 68 net after accounting for issue costs and debt settlement), will extend Crunchfish's runway another 18-24 months, provided the company can secure revenue-generating deals during this period. This added time will facilitate an assessment of the evolving landscape with UPI Light X and allow for continued engagement with Indian banks. As a consequence to the heightened uncertainty introduced with UPI Lite X, we've pushed our sales forecast one year into the future. Corresponding to SEK 10m, 30m in 2024-2025E (30m, 83m). Factoring in the 25% dilution stemming from the rights issue, our combined DCF and target multiple approach now supports a fair value range of SEK 15 – 17 per share.



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

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