

Flywire

4Q earnings roundup

Reiterate Rating: BUY | PO: 34.00 USD | Price: 28.39 USD

Updating estimates and PO

Following 4Q results and management commentary, we adjust F24 revs/adj. EBITDA to \$496M/\$71M from \$486M/\$62M prior. We also roll out initial F26 revs/adj. EBITDA estimates of \$815M/\$165M. We update the PO to \$34 from \$31 based on 6x C24 revs less ancillary services (no change) and our DCF. The multiple is relatively in-line with the comp group (no change), and the DCF uses a WACC of 13.0% (13.3% prior) and 4.2% terminal growth rate (no change). We continue to view FLYW as a differentiated provider of vertical specific software and payments solutions; reiterate Buy.

| Estimates (Dec) (US\$) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------|---------|--------|----------|--------|-------|
| EPS | (0.06) | 0.32 | 0.46 | 0.75 | 1.16 |
| GAAP EPS | (0.37) | (0.09) | 0.02 | 0.18 | 0.44 |
| EPS Change (YoY) | -100.0% | NM | 43.8% | 63.0% | 54.7% |
| Consensus EPS (Bloomberg) | | | 0.20 | 0.37 | 0.74 |
| DPS | 0 | 0 | 0 | 0 | 0 |
| Valuation (Dec) | | | | | |
| P/E | NM | 88.7x | 61.7x | 37.9x | 24.5x |
| GAAP P/E | NM | NM | 1,419.5x | 157.7x | 64.5x |
| EV / EBITDA* | 187.3x | 66.1x | 39.2x | 25.3x | 16.8x |
| Free Cash Flow Yield* | -0.1% | 2.2% | 0.5% | 1.1% | 4.0% |

* For full definitions of *IQmethod*SM measures, see page 4.

01 March 2024

Equity

Key Changes

| (US\$) | Previous | Current |
|---------------|----------|---------|
| Price Obj. | 31.00 | 34.00 |
| 2024E Rev (m) | 487.6 | 495.9 |
| 2025E Rev (m) | 624.8 | 635.8 |
| 2026E Rev (m) | NA | 815.3 |
| 2024E EPS | 0.40 | 0.46 |
| 2025E EPS | 0.62 | 0.75 |
| 2026E EPS | NA | 1.16 |

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Stock Data

| | |
|---------------------------------|-----------------------|
| Price | 28.39 USD |
| Price Objective | 34.00 USD |
| Date Established | 29-Feb-2024 |
| Investment Opinion | C-1-9 |
| 52-Week Range | 18.65 USD - 35.80 USD |
| Mrkt Val (mn) / Shares Out (mn) | 3,434 USD / 121.0 |
| Free Float | 95.6% |
| Average Daily Value (mn) | 46.47 USD |
| BofA Ticker / Exchange | FLYW / NAS |
| Bloomberg / Reuters | FLYW US / FLYW.OQ |
| ROE (2024E) | 7.2% |
| Net Dbt to Eqty (Dec-2023A) | -83.3% |
| ESGMeter TM | Medium |

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating.

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Timestamp: 01 March 2024 12:01AM EST

iQprofileSM Flywire

iQmethodSM – Bus Performance*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|--------|--------|-------|-------|-------|
| Return on Capital Employed | -5.3% | -2.2% | 0.4% | 2.3% | 4.8% |
| Return on Equity | -1.2% | 6.0% | 7.2% | 10.5% | 14.5% |
| Operating Margin | -19.6% | -11.3% | -4.0% | -0.3% | 3.4% |
| Free Cash Flow | (2) | 75 | 16 | 37 | 136 |

iQmethodSM – Quality of Earnings*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--------------------------|--------|--------|--------|--------|--------|
| Cash Realization Ratio | NM | 2.1x | 0.5x | 0.6x | 1.1x |
| Asset Replacement Ratio | 0.6x | 0.4x | 1.2x | 1.3x | 1.2x |
| Tax Rate | NM | NM | NM | NM | NM |
| Net Debt-to-Equity Ratio | -72.5% | -83.3% | -77.2% | -73.8% | -76.9% |
| Interest Cover | -25.0x | NA | 3.4x | 23.9x | NM |

Income Statement Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------------|---------------|-----------|--------------|--------------|--------------|
| Sales | 267 | 381 | 496 | 636 | 815 |
| % Change | 47.6% | 42.8% | 30.0% | 28.2% | 28.2% |
| Gross Profit | 159 | 234 | 302 | 383 | 488 |
| % Change | 43.6% | 47.1% | 28.9% | 26.8% | 27.6% |
| EBITDA | 15 | 42 | 71 | 110 | 165 |
| % Change | -34.1% | 183.3% | 68.5% | 55.0% | 50.6% |
| Net Interest & Other Income | (7) | 17 | (1) | (1) | (1) |
| Net Income (Adjusted) | (6) | 38 | 60 | 96 | 149 |
| % Change | -71.3% | NM | 57.1% | 61.6% | 55.0% |

Free Cash Flow Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|-----------|-----------|---------------|---------------|---------------|
| Net Income from Cont Operations (GAAP) | (39) | (9) | 2 | 24 | 56 |
| Depreciation & Amortization | 12 | 16 | 10 | 13 | 17 |
| Change in Working Capital | 4 | 27 | (41) | (56) | (9) |
| Deferred Taxation Charge | NA | NA | NA | NA | NA |
| Other Adjustments, Net | 28 | 47 | 57 | 73 | 93 |
| Capital Expenditure | (7) | (6) | (13) | (17) | (21) |
| Free Cash Flow | -2 | 75 | 16 | 37 | 136 |
| % Change | NM | NM | -78.8% | 134.3% | 268.1% |
| Share / Issue Repurchase | 8 | 273 | 1 | 1 | 1 |
| Cost of Dividends Paid | 0 | 0 | 0 | 0 | 0 |
| Change in Debt | (26) | 0 | 0 | 0 | 0 |

Balance Sheet Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------------------|------------|--------------|--------------|--------------|--------------|
| Cash & Equivalents | 349 | 655 | 671 | 709 | 847 |
| Trade Receivables | 14 | 18 | 29 | 33 | 43 |
| Other Current Assets | 88 | 143 | 97 | 154 | 194 |
| Property, Plant & Equipment | 13 | 15 | 27 | 41 | 60 |
| Other Non-Current Assets | 210 | 249 | 240 | 229 | 215 |
| Total Assets | 674 | 1,080 | 1,064 | 1,167 | 1,358 |
| Short-Term Debt | 0 | 0 | 0 | 0 | 0 |
| Other Current Liabilities | 177 | 274 | 174 | 187 | 236 |
| Long-Term Debt | 0 | 0 | 0 | 0 | 0 |
| Other Non-Current Liabilities | 15 | 20 | 20 | 20 | 20 |
| Total Liabilities | 192 | 294 | 194 | 206 | 256 |
| Total Equity | 482 | 786 | 870 | 961 | 1,102 |
| Total Equity & Liabilities | 674 | 1,080 | 1,064 | 1,167 | 1,358 |

* For full definitions of iQmethodSM measures, see page 4.

Company Sector

Computer Services

Company Description

FLYW was founded a decade ago and is headquartered in Boston, MA. FLYW's next-gen payments platform, proprietary global payment network and vertical-specific software help clients (ie, educational institutions) get paid while helping their end customers (ie, students) pay with ease-no matter where they are in the world. FLYW's solutions help customers migrate away from paper-based payments and manual business processes, to much more efficient electronic forms of payment.

Investment Rationale

FLYW's business model is an attractive blend of vertical software and a payments platform, targeted at simplifying high-value, complex transactions primarily in the education, healthcare, and travel industries, where FLYW offers a compelling value proposition for merchants and consumers. We also see meaningful upside to near term estimates, as we believe guidance is conservative and FLYW is led by a very strong management team.

Stock Data

Average Daily Volume 1,636,914

Quarterly Earnings Estimates

| | 2023 | 2024 |
|----|--------|-------|
| Q1 | 0.05A | 0.06E |
| Q2 | -0.04A | 0.04E |
| Q3 | 0.18A | 0.30E |
| Q4 | 0.11A | 0.06E |

Price objective basis & risk

Flywire (FLYW)

Our \$34 PO is based on a blend of 6x our 2024 revenue less ancillary services estimate and our DCF model. For our DCF, we assume a weighted-average cost of capital (WACC) of 13% and a terminal growth rate of 4.2%. Our revenue multiple is relatively in line with the comp group, justified, in our view, by FLYW's strong growth profile and vertical mix.

Risks: 1) significant concentration in the education vertical, 2) competition from larger players, 3) near-term pandemic related headwinds related to suppressed travel volumes and delayed implementation timelines, 4) cyber-threats/attacks.

Analyst Certification

I, Jason Kupferberg, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|--|-------------|------------------|------------------|
| BUY | | | | |
| | Accenture Plc | ACN | ACN US | Jason Kupferberg |
| | American Express Company | AXP | AXP US | Mihir Bhatia |
| | Block Inc | SQ | SQ US | Jason Kupferberg |
| | Capital One Financial | COF | COF US | Mihir Bhatia |
| | Enact Holdings | ACT | ACT US | Mihir Bhatia |
| | Essent Group | ESNT | ESNT US | Mihir Bhatia |
| | Fidelity National Information Services | FIS | FIS US | Jason Kupferberg |
| | Fiserv Inc | FI | FI US | Jason Kupferberg |
| | FleetCor Technologies Inc. | FLT | FLT US | Mihir Bhatia |
| | Flywire | FLYW | FLYW US | Jason Kupferberg |
| | Global Payments Inc | GPN | GPN US | Jason Kupferberg |
| | Jack Henry & Associates | JKHY | JKHY US | Jason Kupferberg |
| | Marqeta | MQ | MQ US | Cassie Chan |
| | Mastercard Inc | MA | MA US | Jason Kupferberg |
| | MGIC Investment Corp. | MTG | MTG US | Mihir Bhatia |
| | NMI Holdings | NMIH | NMIH US | Mihir Bhatia |
| | Nuvei | NVEI | NVEI US | Jason Kupferberg |
| | Nuvei | YNVEI | NVEI CN | Jason Kupferberg |
| | OneMain Holdings, Inc. | OMF | OMF US | Mihir Bhatia |
| | Shift4 Payments, Inc | FOUR | FOUR US | Jason Kupferberg |
| | Telus International | TIXT | TIXT US | Cassie Chan |
| | Telus International | YTIXT | TIXT CN | Cassie Chan |
| | Visa Inc. | V | V US | Jason Kupferberg |
| | WEX Inc. | WEX | WEX US | Mihir Bhatia |
| NEUTRAL | | | | |
| | ADP | ADP | ADP US | Jason Kupferberg |
| | Affirm Holdings | AFRM | AFRM US | Jason Kupferberg |
| | Bread Financial Holdings Inc | BFH | BFH US | Mihir Bhatia |
| | DLocal | DLO | DLO US | Jason Kupferberg |
| | Globant SA | GLOB | GLOB US | Jason Kupferberg |
| | PayPal Holdings Inc | PYPL | PYPL US | Jason Kupferberg |
| | SoFi Technologies Inc | SOFI | SOFI US | Mihir Bhatia |
| | Synchrony Financial | SYF | SYF US | Mihir Bhatia |
| | Thoughtworks | TWKS | TWKS US | Jason Kupferberg |



US - Payments, Processors, Specialty Finance and IT services Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|--------------------------------|-------------|------------------|------------------|
| | Toast | TOST | TOST US | Jason Kupferberg |
| | TTEC Holdings | TTEC | TTEC US | Cassie Chan |
| UNDERPERFORM | | | | |
| | CGI Inc. | GIB | GIB US | Jason Kupferberg |
| | CGI Inc. | YGIBA | GIB/A CN | Jason Kupferberg |
| | Cognizant Technology Solutions | CTSH | CTSH US | Jason Kupferberg |
| | Coinbase | COIN | COIN US | Jason Kupferberg |
| | DXC Technology | DXC | DXC US | Jason Kupferberg |
| | EPAM Systems | EPAM | EPAM US | Jason Kupferberg |
| | Paychex | PAYX | PAYX US | Jason Kupferberg |
| | Radian Group Inc | RDN | RDN US | Mihir Bhatia |
| | Rocket Companies, Inc. | RKT | RKT US | Mihir Bhatia |
| | TaskUs | TASK | TASK US | Cassie Chan |
| | Western Union | WU | WU US | Jason Kupferberg |

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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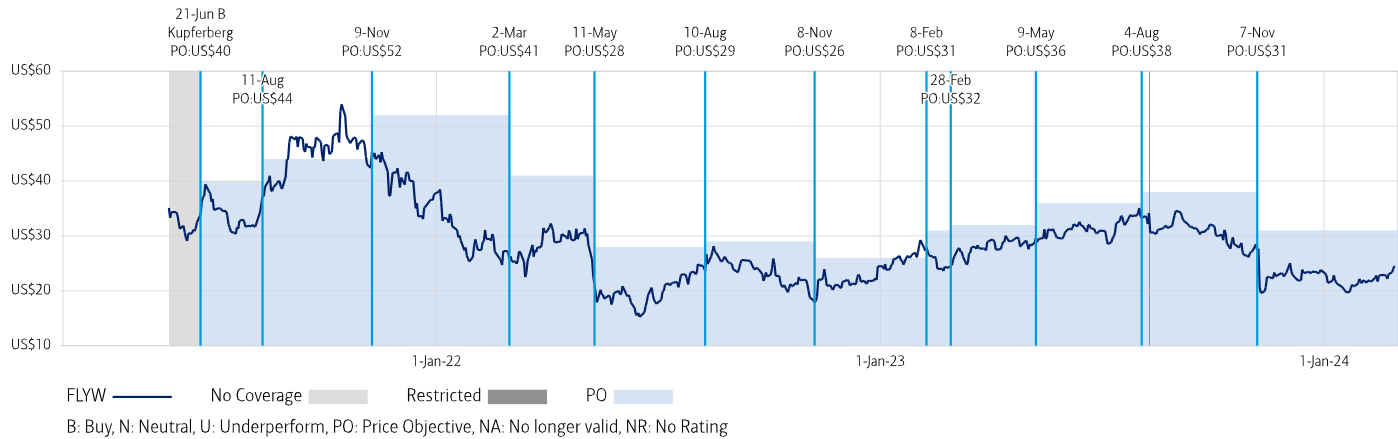
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Flywire (FLYW) Price Chart



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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 215 | 53.09% | Buy | 111 | 51.63% |
| Hold | 97 | 23.95% | Hold | 45 | 46.39% |
| Sell | 93 | 22.96% | Sell | 24 | 25.81% |

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 1895 | 53.62% | Buy | 1083 | 57.15% |
| Hold | 832 | 23.54% | Hold | 454 | 54.57% |
| Sell | 807 | 22.84% | Sell | 383 | 47.46% |

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster ^{R2} |
|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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