EQUITY Development

CAB Payments Holdings plc

Hyper-focused on B2B payments to and from hard-to-reach Emerging Markets

Paul Bryant

April 2025

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CAB Payments Holdings

Hyper-focused on under-serviced EM payments

16 April 2025

CAB specialises in B2B cross-border FX and payments, facilitating flows (both ways) between developed markets (DMs) and hard-to-reach emerging markets (EMs). Clients are sophisticated institutions such as commercial banks, central banks, payment Fintechs, and international development agencies. Transaction size averages c. US$100k.

It has only scratched the surface of its opportunity. In 2024, CAB processed £37bn of flows in a high-growth, multi-trillion-dollar market (it focuses on EMs growing at >4%, see p6). But even at this scale CAB has robust financials, with revenue of £106m and PBT of £18m in FY24.

Structural competitive advantages over larger banks and Fintechs

CAB's operating company is Crown Agents Bank, UK-regulated by the PRA and FCA. Clients can access 100+ currencies and countries, via proprietary networks, relationships, various 'payment rails' (some only available to banks), as well as traditional payments networks such as SWIFT. **This has taken many years and is very hard to replicate.**

In many EM markets, larger banks tend to rely only on a cumbersome and expensive multi-correspondent-bank route via SWIFT (p10). EM payments (particularly in frontier EMs) are not core to their corporate-banking offering. Non-bank B2B payment Fintechs, meanwhile, can face higher operational costs and regulatory restrictions in some EMs compared to Crown Agents Bank (p11).

Difficult period post-IPO, followed by comprehensive, often brutal, 'reset'

CAB's IPO was in July 2023. However, in late-2023 and 2024 business volumes and revenue margins plummeted in some West and Central African markets (large, high-margin markets for CAB) following Central Bank interventions in their forex markets (p13). This led to CAB reducing previous guidance, which resulted in a large and protracted share price fall and severely damaged credibility.

Swift action followed. CAB has a **new CEO, CFO, COO, CRO**, Head of Banking, Global Head of Sales and Global Head of Payments, all very high calibre (p14). A new strategy (p16) recognised over-concentration in some markets and now aims to diversify geographies, clients, and products; stabilise income; **make growth more sustainable**; and increase operational leverage. Costs have been cut, with headcount down c. 20%. CAB has undergone a major 'reset' and is on a new path.

Fundamental value more than double the share price

Our fundamental value is 90p per share, using a DCF model. And the share rating looks extremely low compared to banks with far lower growth prospects and who are more 'capital-hungry' (p25 & 26).

Summary financials & forecasts

Year end 31 Dec	FY21A	FY22A	FY23A	FY24A	FY25E	FY26E
FX + Pmts volume, £bn	23.1	35.0	34.6	37.2	41.3	46.7
Total Income, £m	53.5	109.4	137.1	105.5	110.8	121.5
Adj. EBITDA, £m	14.9	55.0	64.6	30.8	32.9	39.4
Adj. EBITDA margin	27.9%	50.2%	47.2%	29.1%	29.7%	32.4%
PBT, £m	9.5	43.9	37.6	17.6	15.0	24.8
EPS basic, p	10.3	14.0	9.6	5.6	4.4	7.2
Net assets, £m	74.5	108.3	131.5	146.6	158.8	178.4
CET1 Ratio (min 9.6%)	30.3%	33.4%	25.0%	19.2%	19.5%	20.7%
Price Earnings Ratio	4.2	3.1	4.5	7.7	9.9	6.0
Price to Book Ratio	1.47	1.01	0.83	0.75	0.69	0.61

Source: Company Historic Data. Price/Earnings & Price/Book ratio based on the closing share price at 14th April

Company Data

EPIC	CABP.L
Price (last close)	42.3p
52 weeks Hi/Lo	166p/38p
Market cap	£103m
ED Fair Value/share	90p
Avg. daily volume	688k

Share Price, p

Source: Investing.com

Description

CAB Payments Holdings plc ('CAB') is a market leader in business-to-business cross-border payments and foreign exchange, specialising in hard-to-reach markets.

CAB uses its strength of network, technology, and expertise to seamlessly move money where it's needed and is the holding company for Crown Agents Bank, a UK-regulated bank.

Next event

Trading update - July 2025

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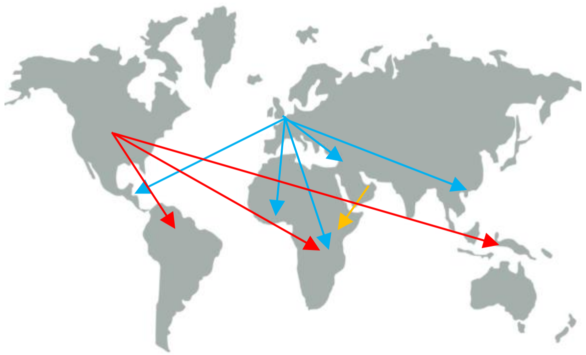
Understanding what CAB does

Core business: moving money (both ways) between DMs and EMs

DM to EM (primarily a 'North-South' flow)

The first core business area is moving money from clients in DMs (mostly Europe and North America) to EMs (mostly Africa, Asia, Middle East and Latin America – with a focus on 'hard to reach' frontier markets). 'Developed' Middle East is a large potential sending market too, with a licence application in Abu Dhabi in process. Clients include:

- **Non-bank financial institutions (NBFIs)** such as Fintechs and other licensed financial services companies mostly in the B2B space, including payments companies, payroll providers and pension administrators. Some of these will also need to process 'last mile' payments e.g. payroll remittance and pensions clients might be paying into an individual's account – and CAB can now offer them a highly competitive option for this via its Visa partnership (page 17).
- **International development organisations (IDOs)** which send aid, including humanitarian aid, and run development programmes in the world's most challenging environments. These clients will also be a big user of last-mile services as described above.
- **Major Market Banks (MMBs)**, which provide cross-border payments for clients e.g. for trade payments.

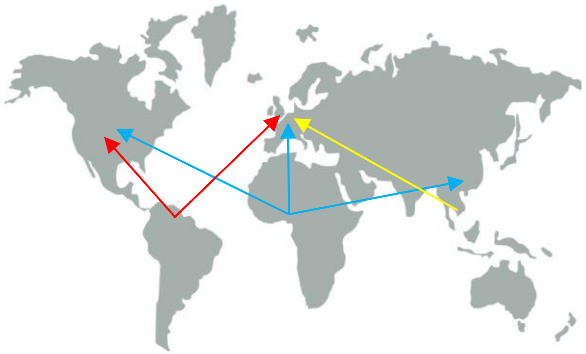


Illustrative only, not an accurate depiction of actual payment corridors

EM to DM (primarily a 'South-North' flow)

The second core business area is moving money in the opposite direction i.e. from non-G10 countries to DMs. Most clients would be categorised as **Emerging Market Financial Institutions (EMFIs)** which are typically:

- **Commercial Banks** which provide cross border payments to corporations and people. These banks also form part of CAB's network, providing advantageous pricing on local liquidity.
- **Central Banks** making sovereign debt repayments.



Illustrative only, not an accurate depiction of actual payment corridors

Source: Company, ED

A difficult operating environment (for non-specialists) = huge opportunity for CAB

EMs are expensive to set up in and service…

- There is a substantial market to facilitate cross border flows between DMs and EMs. EMs have mostly been net recipients of large foreign flows: foreign direct investments, remittances, as well as flows from IDOs. Funds also flow in the opposite direction, such as for debt repayments and to pay for imports.
- But many EM regions are **not well integrated into the world's financial system.**
- EM flows are complex and characterised by **fragmented FX and payments ecosystems** of mostly legacy providers with disparate technologies.
- EM FX flows exhibit **lower liquidity** due to relatively limited demand for their currencies compared to DMs, leading to **lower investment in infrastructures critical to facilitating FX transactions**.
- **Relationships with local transaction partners, such as central and local banks, are crucial to operating in EMs** – this requires effort (time and capital) to build and maintain these relationships.
- Each jurisdiction has **different compliance and regulatory requirements** and country-specific payments networks, relationships and infrastructure that need to be in place. **Scale in EMs becomes important** to make the investment required to operate in these jurisdictions economically viable.
- These factors make **providing services in EMs unattractive if they are ‘incidental’ to an organisation’s core business,** they present **high barriers to entry** for those looking to enter these markets and often result in a need to partner with an organisation such as CAB (see right).

Source: Company

…making CAB an attractive partner to different types of organisations

Emerging markets financial institutions

- Regional and local commercial banks, and correspondent banks, have been less integrated into the global payments network. They need a reliable partner to access hard currencies at more attractive rates and faster settlement times.
- Central Banks place trust in a UK-regulated bank with deep and longstanding relationships in emerging markets. They use CAB for their offshore payments needs while CAB benefits from a trusted relationship, gaining superior access to local liquidity and to supervisory/regulatory regimes (e.g. receiving a licence to act as an International Money Transfer Operator in Nigeria, with potential to work with the Nigerian Central Bank on large-scale Naira transactions).

Non-bank financial institutions (DM-based)

- B2C and B2B non-bank payment providers (predominantly Fintech companies) - have constant FX demand as they aggregate payments on behalf of end-customers (remittance payments). They face barriers to entry in EMs as a lack of banking licence adds costs (demands more infrastructure) and makes developing local banking relationships harder (see page 11). Some therefore use CAB as a ‘wholesale’ provider.

International Development Organisations

- These send aid and run development programmes in the world’s most challenging environments. Many depend on CAB to enable their fund flows. These relationships are part of CAB’s heritage and purpose – ‘making good things happen’ in hard-to-reach places.

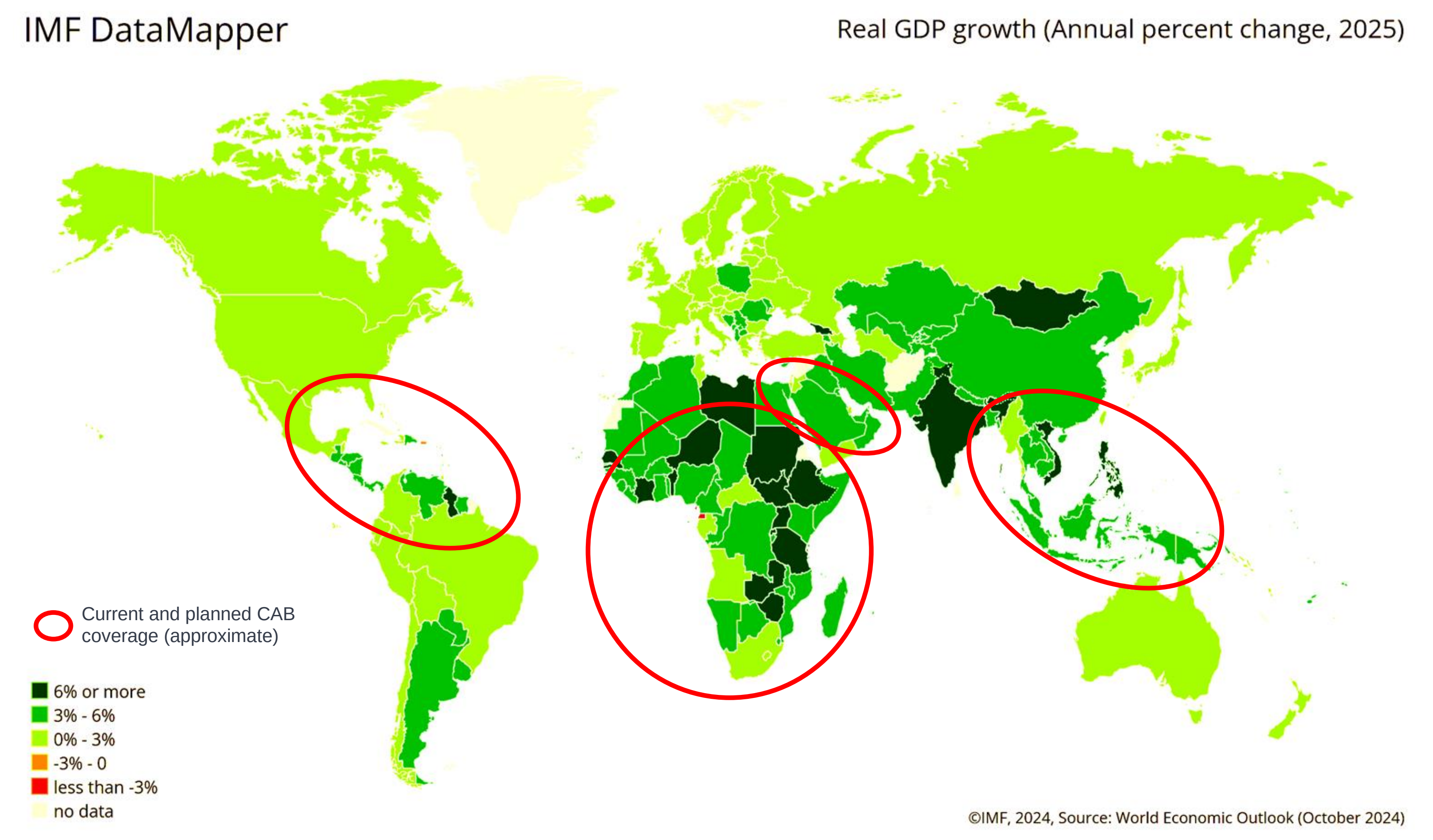
Major market banks

- These have been selectively stepping out of operating in some EM currency corridors and partnering with players such as CAB to ensure operational reliability (see page 10). EM FX payments are typically not core to many banks’ suite of corporate banking offerings.

Source: Company

Targeting a vast market with a focus on the world's fastest growing economies

Priority markets are EM economies with >4% GDP growth. **The combined geographic coverage of its existing network and its new initiatives (sub-Saharan Africa, Asia Pacific, Latin America and the Middle East) includes many of the world's fastest growing economies** (dark and mid-green shading). It does not target flows into and out of India and China (liquid FX markets with characteristics resembling DMs), transactions >US$ 50m (typically served by large multi-national banks), and sanctioned markets.

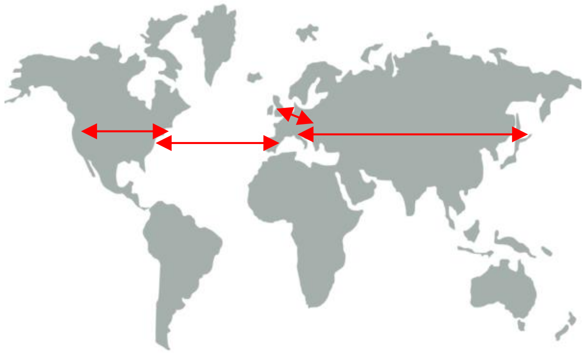


Source: Company, IMF

DM-DM is also served, and EM-EM is a growth area

DM to DM (primarily flows within the Northern Hemisphere)

- DM to DM flows are not an explicit target market for CAB. These are largely commoditised flows with very low take-rates.
- But clients (see DM-EM page 4) are already set up on CAB's platforms, EMpower FX and/or EMpower Payments, which provide **extensive liquidity and competitive real-time pricing across both EM markets and G10 market currencies** (executable prices in 100+ currencies across over 550+ currency pairs).
- Nothing prevents these clients from using these systems for DM-DM FX and payments, and indeed many of them do. Servicing this market has the added advantage for CAB of covering more client needs (higher share of wallet), and it serves as an income diversifier to counteract the more volatile EM segment.



Illustrative only, not an accurate depiction of actual payment corridors

EM to EM (primarily flows within the Southern Hemisphere)

- EM to EM flows make up a relatively small market compared to DM-EM and EM-DM but is an easy-to-service market when CAB is already established.
- A common use case for these flows are central bank repayments, for example, an EM country's debt repayments to creditors such as China (in CNY).
- Also, geographically close countries tend to have a fair amount of trade with their neighbouring countries, which CAB can service.

Illustrative only, not an accurate depiction of actual payment corridors

Source: Company, ED

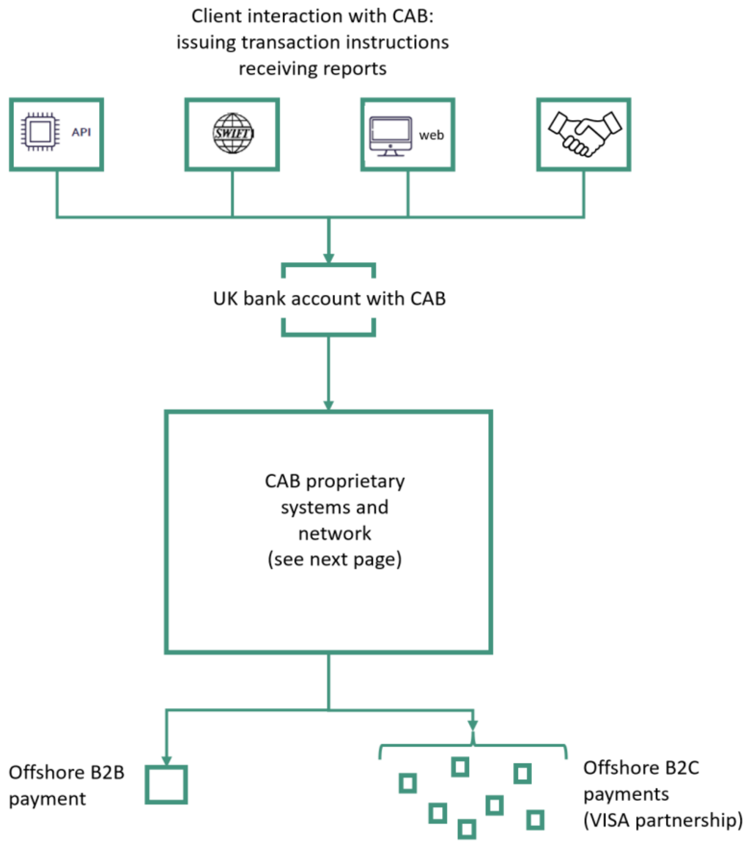
How clients interact with CAB

Flexibility of interface, broad market reach, time and price efficiencies

- Note: When clients move funds cross-border within their own organisation, it is known as an *FX transaction*. When they move funds to a third-party, it is a ***P****ayment (p*ayments in a different currency = *Payments FX*, payments with no currency conversion = ***same currency payment*****).**
- They are able to transact in over 100 currencies and send money to over 100 countries, across 550+ currency pairs, from a single UK bank account.
- Clients can provide transaction instructions to CAB in 4 ways:
  - **web-based** (desktop or mobile trading platforms),
  - **API** (application programming interface) - a 'data feed' between client systems and CAB systems which can process many transactions (up to 50k+ beneficiaries in a single transaction),
  - **SWIFT** (the incumbent bank network – see also page 10),
  - non-automated **human-to-human** communication.
- For FX, clients specify the currency to buy and sell, receive a real-time price, CAB delivers the currency to a specified account in the destination country.
- For payments, clients specify an amount and beneficiary. CAB routes money to the beneficiary account, converting to local currency.
- Clients have access to a platform which provides them with an extensive data analytics capability, built-in risk controls, and reporting functionality.
- Previously, CAB was not set up to provide cost-effective 'last mile' payments (e.g. to consumer bank accounts in foreign markets), being more focused on larger payments. But in 2024, it concluded a partnership with Visa to address this. It is in the process of rolling out this capability with 9 currencies now active for clients and 50+ planned for roll-out in 2025 (page 17). It also plans to add a mobile-wallet payout capability in 2025.

Source: Company, ED

What clients see when transacting with CAB (simplified)



Source: Company, ED

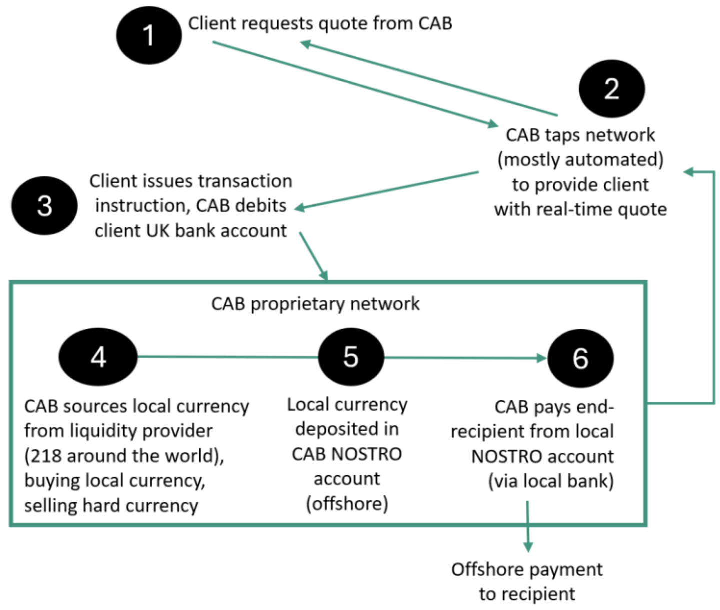
How CAB moves money: its 'payment rails' explained

Networks, infrastructure, relationships and technology built over years

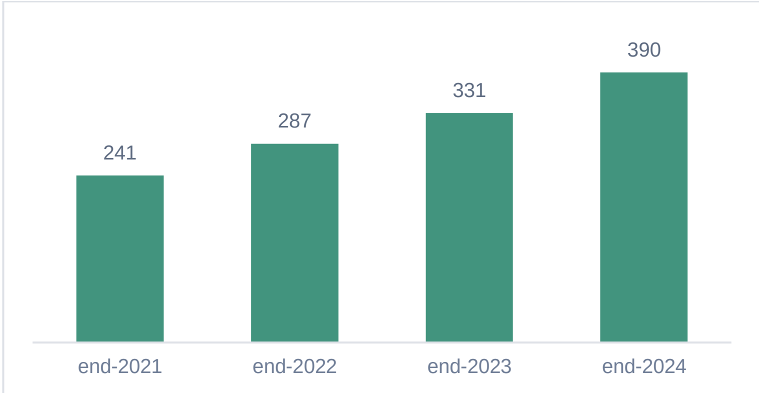
- The typical mechanics of CAB's FX and Payments transactions (a little over-simplified but not dramatically so) involve CAB receiving the instruction, debiting the clients' UK bank account, and paying the recipient from a CAB bank account in the destination market.
- This allows it to make payments via a 'single hop' using its network and infrastructure, in contrast to the multiple hops which would be common using the incumbent banking network (see next page). This makes for **faster and cheaper payments because its operations are more efficient**.
- CAB's offshore bank accounts are usually 'Nostro' accounts (which only a bank can hold with a foreign bank - a key differentiator compared to Fintechs, page 11). In some markets, it has accounts with regional providers who make the final payment (indirect Nostros), and in some, FX settlement partners.
- In most markets, CAB has relationships with 'liquidity providers' (mostly commercial banks) with an appetite for hard currency, and with local currency for sale – often at very competitive rates (CABP is a regular source of large quantities of hard currency, hence a valuable partner). This makes for **cheaper forex conversion rates compared to competitors**.
- Importantly, not every FX and payment will involve CAB triggering a cross-border flow to match that transaction. For example, in higher volume markets, CAB may hold substantial funds in its local bank account and run a treasury function – making client payments from that account but only topping up that account periodically. This greatly improves the efficiency of its operations.

Source: Company

Overview of how CAB uses its network (simplified)…



…and that network is growing (number of payments & liquidity partners)



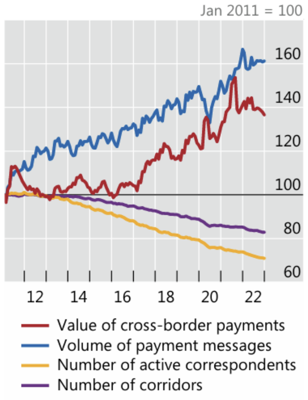
Source: Company, ED

CAB's competitive edge over incumbent banks

A cumbersome legacy system for banks vs CABs streamlined 'rails'

- Most banks process cross border payments via the SWIFT-based correspondent bank network (SWIFT = Society for Worldwide Interbank Financial Telecommunication). This is a messaging network connecting 11,000 banks and financial institutions around the world. For hard-to reach EMs, it can be expensive and slow.
- CAB provides an illustrative example of a multi-leg transaction via this network in its information pack, showing the path a transaction might take for making a payment from a regional bank in the USA to Senegal in West Africa. This example is illustrated on the right.
- Moreover, **Banks have been exiting correspondent relationships since 2011, so the inefficiencies inherent in the correspondent banking model are likely to worsen**. In the chart below, note that while cross border payment volumes and messages (red and blue lines) have grown sharply in the last decade, the number of active correspondents (orange) has declined.

Banks have been retreating



Reasons

(1) Compliance processes in EM markets are costly and cumbersome
(2) Banks have been winding down non-core operations
(3) Banks have been looking to reduce risk (counterparty, operational, credit)
(4) Bundled corridors and economies of scale make it unattractive to maintain operations in-house

Source: Company, Bank of International Settlements 2024 Annual Report

Illustrative payment flow from US to 'hard-to-reach' Senegal (West Africa)

A: Original sender: US regional bank
B: Correspondent: National US clearing bank
C: Correspondent: Major Market Bank
D: Correspondent: Regional Clearing Bank in South Africa
E: Correspondent: Regional West African Bank
F: Receiver: Local Bank in Senegal

Each leg of these types of transactions attracts fees and takes time. Every additional leg also increases the chance of errors and failures.

Source: Company

CAB's competitive edge over Fintechs

A structural advantage by being a bank

- The fundamental advantage CAB has over Fintechs is its structural advantage of being a bank, which has facilitated its vast number of Nostro accounts and relationships with liquidity providers around the world.
- **Non-banks cannot set up Nostro accounts**. While they can set up bank accounts around the world, doing so often means a local office/presence (depending on the market – see examples on right). This makes setting up and maintaining a network of these accounts more expensive. They may also need additional licenses, depending on their products.
- CAB does not need the vast network of offices and licenses to the same extent as some large Fintechs. Its partnership with Visa also helps in this regard.
- Its **banking license allows it add financing products more easily, e.g. trade finance and overdrafts**. In the institutional space, these are attractive products to many of its clients which find having these drawdown facilities very useful, allowing them to 'bulk' transactions. These facilities in turn have a 'loyalty effect' which can drive better pricing with EMFIs and higher FX & Payments volume**.**
- As a bank, CAB is allowed to co-mingle client funds and use its treasury capabilities to maximise net interest income. Fintechs without banking licenses would generally have to hold client money in segregated accounts, which can be less profitable.

Source: Company, ED

Examples of Fintechs' alternative structures (often requiring mega-scale to be viable)

Wise

UK headquartered, large-scale **Fintech in B2C and SME space** (not a direct competitor to CAB). Network of over 160 countries, 40 currencies. £68bn of flows in H1-25.

Disrupting the incumbent system…

"Wise primarily avoids SWIFT for most transactions to keep costs low and transfers fast. Instead, it uses its own network of local bank accounts to process payments efficiently."

Wise has 8 direct connections to local payments systems (viable in large consumer markets – UK, EU, Hungary, Philippines, Singapore, Australia, Japan, Brazil), and 65 licenses around the world.

… but with limitations in some EM markets

"If you're sending a payment in a currency that's different from your recipient's bank's currency, you'll need to send it by Swift."

"We pay out via Swift when you send:
-USD to countries outside the US
-GBP to countries outside the UK
-More than 1 million JPY to any country
-EUR to banks not part of SEPA & countries outside SEPA"

StoneX

US headquartered, large-scale Fintech, direct competitor to CAB but also focused on other areas: global payments, commodity trading, foreign exchange, and clearing and execution services.

Also offers access to hard-to-reach markets…

Allows institutions to conduct payments to more than 180 countries in over 140 currencies.

…but dependent on correspondent bank network and vast physical network

- 385+ correspondent banks
- 80 offices around the world (describing itself as a 'boots on the ground' network).

Source: Company websites (27 March 2025)

What CAB is NOT: dispelling possible misconceptions

- While CAB has a banking license, it does not offer a full suite of banking products and is not structured to be the primary bank of customers. Its significance is in providing clients with access to clear their funds cross-border. Hence, all of its products and services are used to facilitate its FX and Payments services, or to add value to these:
  - Its deposit book is therefore mainly **institutional customer deposits in call accounts used to fund FX and Payments transactions**. Some clients' cash flows are very short-term in nature (e.g. a deposit is made only at the time of an upcoming payment transaction). While others may house funds with CAB for a longer period (e.g. depositing funds in CAB's current accounts or term accounts) to fund a series of transactions over weeks or months, drawing down on those deposits as payments are made. Through being regulated under the FCA and PRA, it is also trusted with client funds for investment purposes too, with some clients using the bank for this purpose via interest bearing accounts.
  - It **does not operate a lending book other than a small trade finance book and some overdraft facilities**. These services can enhance FX and Payments transactions. Most trade finance clients are EMFIs, which find it useful to have a facility they can draw down from to fund their FX and payments transactions. These are the same EMFIs that transact through CAB but also provide CAB with local liquidity. The effect of this symbiotic relationship is better access to liquidity and pricing in local markets.
- It **does not have multiple bank licenses or bank branches around the world**. Its operations in EMs consists of payments infrastructure only (Nostro accounts, facilities with liquidity providers and the like). And its offices in the Netherlands (and soon in Abu Dhabi and New York) are licensed entities which allows CAB to solicit business directly in those markets (although a payments license holder – the exact license name differs by market - is a regulated entity in these markets, regulation is nowhere near as onerous as a bank).
- While its trade finance operation is seen as a growth area, CAB **does not envisage significantly growing the on-balance-sheet trade finance lending book by any great degree**, because of the significant regulatory capital demands of trade finance lending. This makes it **less capital-hungry than many banks, a position CAB intends to maintain – creating the potential to generate much higher returns on equity than a traditional banking model**.
  - As trade finance lending turns over quickly (its gross trade finance volume excluding repayments in FY24 was £535m while its on-balance-sheet trade finance book was £180m), it can grow trade finance income by 'churning' the limit of the book without meaningfully increasing on-balance-sheet exposure.
  - Also, to restrain the growth of its on-balance sheet lending book, but at the same time expand its trade finance services offered to clients, it envisages conducting sales and syndications of parts of its lending book to move them off balance sheet. It also operates an 'originate to distribute' trade finance model on behalf of third-party funders, notably development banks, which are interested in funding trade finance facilities for EMFIs.
  - The first trade finance asset sale was conducted in February 2025. By pursuing transactions of this nature (and those described in the previous bullet), trade finance is likely to see very rapid growth in fee income and slower growth of net-interest-income.
- It is **not a speculative 'forex trader'**. Its business is focused on providing customers with the best currency conversion rates which it can do because of the efficiency of its operations compared to competitors (as previously described), not as a result of financial trading.

A hard reset positions CAB to kick-on

The post-IPO wobble explained

External events triggered a vulnerability which cost CAB financially and reputationally

- In the period prior to the IPO in July 2023, CAB had a concentration of business involving Nigerian Naira (NGN) FX and payments. **In the three years to 31 Dec 22, NGN trades made up 23% of revenue on only 2% of transaction volume**, illustrating the very high margin for CAB.
- During that period, the 'official' NGN was pegged to the US$ at an artificially low rate, only available through onshore banks. But supply of US$ through these banks was severely restricted – Nigeria's forex reserves were depleted, a situation exacerbated by lower oil export revenue (lower demand and lower prices as a result of the economic effects of Covid-19). A significant 'parallel' NGN-hard currency market existed outside of the Nigerian banking system, with hard currencies priced significantly higher than the official peg. **CAB operated in compliance with the official onshore system** i.e. offering hard currencies at much lower prices than the parallel market. This allowed it to charge a very high margin (take-rate), as despite this, the exchange rate it offered was far better than the parallel market rate. Indeed, its IPO prospectus clearly stated: "*Country corridor concentration is opportunistic and driven by market conditions.*"
- But in June 2023, Nigeria abandoned its NGN-US$ peg and allowed free NGN trading. The exchange rate declined sharply (c40% within days, according to reports). CAB's margins on NGN trades fell sharply, as NGN traded at free-market levels, removing the scope for inflated margins.
- This possibility had been well flagged in CAB's IPO prospectus, although a corresponding pick-up in volumes was expected: *"As a result of the change in Naira trading policy …the Directors expect Naira take rates to stabilise at pre-mid-2021 levels, but that volumes, notably in its major market bank and NBFIs customer segments, could increase as it becomes more economically efficient to send Naira-denominated flows (e.g. for corporate payments) into Nigeria."*
- But the reality was NGN margins and volumes declined. This coincided with deteriorating conditions in two other key markets, the Central African franc and West African franc (each making up c. 7% of revenue over the previous three years), following separate Central Bank interventions in those markets.
- **On 24 Oct 23, CAB issued a trading update flagging that FY23 revenue was expected to be 17% below previously issued guidance. The share price fell 72% that day to 60.8p. Credibility had been severely damaged.**
- **The Board took swift action and recruited a new CEO, Neeraj Kapur**, who joined CAB in Feb 24 and took over the CEO role in Jun 24. In Sep 24, he announced a **change of strategy** to move the business forward on a basis that is **far less dependent on opportunistic market plays.** The C-suite underwent further changes with a **new CFO, COO and CRO recruited.** Other key executive appointments were made to align with the new strategy, including the recruitment of a new Head of Banking, Global Head of Sales and Global Head of Payments. A cost cutting exercise has seen headcount reduced by c20%. More details of these leadership and strategy changes follow on the next few pages.

Source: Company, ED research

New, high calibre, C-suite and senior executive appointments to lead the reset

Chief Executive Officer: Neeraj Kapur, appointed June 2024

- Highly experienced banker and bank CEO/CFO, 20+ years' experience in senior leadership in retail, corporate and SME banking
- Group CFO of Vanquis Banking Group plc (formerly Provident Financial plc) – helped guide business through significant industry and business change
- Executive Director, Secure Trust Bank plc
- 10+ years at RBS: MD – Large Corporates and Group CFO, Lombard Asset Finance
- Chartered Banker and Chartered Accountant qualifying with Arthur Andersen 30 years ago
- Started career as RAF Fighter Pilot, aeronautical engineering degree - Imperial College London

Chief Financial Officer: James Hopkinson, appointed March 2025

- Highly accomplished senior finance executive, 25+ years across global banks and emerging markets, FX and payments and also has experience driving business transformations
- Built career at Standard Chartered, a global bank with strong links to many of CAB's core markets. Roles included Global CFO of retail banking
- Group CFO and Executive Director of Metro Bank Holdings PLC, helped to execute turnaround
- Group CFO of ClearBank, the fast-growing UK and technology-enabled clearing bank
- Chartered Accountant (ICAEW), trained with PwC

Chief Operating Officer: Stuart Houlston, appointed September 2024

- 30+ years technology and operational leadership experience in rapid-growth environments.
- CIO for Corpay's International businesses supporting the transformation of businesses in Canada, UK, Europe and Australia (Corpay is also a cross-border payments business and a competitor of CAB)
- COO, CIO and Commercial leadership roles with large corporate organisations as well as smaller privately owned businesses.
- 10 years in RBS group including role of Director of Change in the COOs office

Chief Risk Officer, Clare Davies, appointed November 2024

- Extensive risk management experience across large aspects of financial services, regionally and globally
- EMEA Chief Risk Officer and Global ESG Chief Risk & Compliance Officer at Bank of New York Mellon
- Enterprise and Operational Risk Leader, Managing Director - GE Capital International
- MD, Risk Management, Deutsche Bank
- European Head Hedge Fund Credit, European Head Private and Institutional Wealth Management, European Head Equity Derivatives Risk Management, Goldman Sachs

Note: Date of appointments are dates of joining CAB. Not a complete list of CAB executives.

Source: Company, LinkedIn.

Chief Commercial Officer: David Bee, appointed November 2024*

- 30+ years senior banking experience in the Fixed Income, Currency and Commodity (FICC) industry.
- MD, Head of Institutional FX Sales & MD of Wealth Management FM, Lloyds Banking Group
- MD, Standard Chartered Bank, Co-head of Wholesale Bank Europe
- MD, Deutsche Bank, Global FX COO

Head of Banking: Matthew Talty, appointed August 2024

- 20 years senior banking experience, Chartered Accountant (PwC)
- Group Treasurer, Director of Mortgages and Savings, Vanquis Banking Group
- Group Treasurer, Secure Trust Bank
- Head of Funding, Sainsbury's Bank
- Deputy Head of Treasury Finance, Co-operative Banking Group

Global Head of Sales: Kirsty Garret, appointed August 2024

- 20 years' experience in financial markets and investment banking
- MD, Senior Relationship Manager & Head of Investors Client Coverage, Standard Chartered Bank
- Executive Director, FX Sales, Nomura International
- Executive Director, Morgan Stanley
- Director, Global FX Sales, Merrill Lynch

Head of Global Payments: Claire Gates, appointed August 2024

- Experienced Payments/ Fintech executive. Proven success driving business growth, market and geographical expansion.
- Interim Chief Executive Officer, Mahalo Mobille Technologies
- Chief Commercial Officer, Huboo Technologies
- Chief Commercial Officer, PPRO
- CEO, Paysafe Pay Later
- Group Head, Mastercard

** Date of appointments are dates of joining CAB except for David Bee who was an internal appointment (having previously been Head of Client Coverage & Markets).*
Not a complete list of CAB executives.

Source: Company, LinkedIn

A new strategy to diversify, grow sustainably, and increase operational leverage

Under this new leadership, CAB's strategy has undergone significant change. While the core business remains FX and Payments, it has been acknowledged that the model pursued in recent years was transaction-led and designed to opportunistically benefit from market dislocations, such as from the situation in Nigeria pre-Central-Bank-intervention when take rates were abnormally (and with the benefit of hindsight, unsustainably) high. This led to a business exposed to volatility. Neeraj Kapur and his team have developed a strategy which recognises FX and Payments as core, but changes the execution of this core business, and adds to it. It is presented by CAB as a four-pillar strategy (summarised below), with the aim of diversifying the business, generating sustainable growth, and increasing operational leverage.

1. Network

A priority is to **expand the network** of liquidity providers, Nostro accounts, Central Banks etc.

Progress is good. **Total counterparties increased 18% in 2024 from 331 to 390.**

Another focus is to **geographically diversify** the network (in Jun 24, 49% of partners were in Sub-Saharan Africa, 14% in LATAM and 37% in the rest of the world). We expect the non-African network to grow quickly, which should help to diversify across payment corridors.

The Visa partnership adds 'last mile' payment capabilities.

Success with the above will translate to an even **stronger offering to clients** (more corridors, better pricing etc**.**).

2. Clients

Another focus is to **add new clients**, and to **increase revenue per client**.

The *Global Head of Sales* is a key appointment**,** and a larger in-country, up-skilled sales force is planned.

It is early days, but progress is being made. The number of active revenue-generating **clients grew 7% over 2024 from 509 to 546**.

The new EU presence in Amsterdam (licensed Apr 24) and the planned offices in New York and Abu Dhabi will allow CAB to solicit business directly and should boost new client growth.

Increasing revenue per client is also key. 10% of clients contribute >£500k p.a. with 68% <£100k, suggesting **an opportunity to increase their share of wallet** (see next page).

3. Platform

This pillar involves leveraging the banking license to accelerate FX and payments volume growth. The **full potential of the license has not been realised to drive transactional and interest income**. Examples below:

Trade finance has been identified as a key tool. Every £1 of trade finance draw-down is expected to generate £4 of FX & payments volume. Trade finance is growing quickly: up 3.1X in 2024 over 2023.

Some customers have been unable to deposit funds with CAB as they require a higher credit rating. CAB has now secured a deposit guarantee (from a highly rated institution) which should remove this constraint for these clients (see next page).

4. Invest & innovate

2024 was a year of heavy capex (£12.5m core capex, up from £7.0m in 2023), spread across protection, processing, platform, and product. Emphasis was on operational resilience, which is now largely complete.

Capex is expected to reduce to around £8m in 2025 with **more than 50% of capex to be spent on product i.e. revenue-generating**.

Further investments will be made in process automation, and AI.

Around 70% of CAB's cost base is now fixed and should be capable of handling far higher transaction volumes without the same level of investment, indicating **significant opportunity for operational leverage**.

Source: Company, ED

Product enhancement and product innovation will be key to growth

CAB has already implemented a number of product enhancements and product innovations, with more planned for 2025. The most significant developments are:

- **Enhanced payments functionality**. The main development in this space is CAB's partnership with Visa, which came into force in 2024. This allows CAB to add highly cost effective 'last-mile' capability to its client offering i.e. paying to multiple endpoints (bank accounts, mobile wallets etc). This opens up the potential of increasing share of client spend - in addition to facilitating payment to an organisation's bank account in another country, it can now target adding the last-mile payments too. This should enhance the product for a range of clients. For example, B2C Payments Fintechs (which have consumer relationships in the sending market – not a target market for CAB) can now use CAB not only to do a 'wholesale' or aggregated transfer to their account in the receiving country, but to disaggregate the payments to individual end-recipients. Or organisations such as IDOs could use CAB to make salary payments to employees in other countries. This partnership with Visa is currently live in 9 countries, which is planned to grow to over 50 in 2025.

- Other planned enhancements for 2025 include payments into a mobile wallet in receiving countries (for consumers **and** businesses). CAB is also investing in its payments products to allow for quicker integration with clients and developing 'account-less' capability i.e. for clients to be able to use CAB for FX and payments transactions without opening a bank account. It worth stressing that **technologically, the B2B payments space generally is lagging the B2C payments space but is playing catch up, which gives CAB substantial headroom for technical product development**.

- **Deposit guarantee facility.** As mentioned, some clients can only deposit funds in a bank with a minimum investment grade credit rating, which CAB does not have, preventing some clients from placing funds with it (even though they might have substantial FX and payments business). To remove this impediment, CAB is in the process of putting a facility in place with an A-rated institution to guarantee CAB clients' deposits. This should help CAB to deepen client relationships.

- **FX derivatives**: Many clients make payments to foreign countries on an ongoing basis, it is not a one-off event. So, they know they will need to make a foreign currency payment at a planned point in the future. But they are exposed to exchange rate fluctuations up until the point they make the payment. CAB plans to offer these clients access to FX derivatives which can be used to hedge these exposures i.e. lock-in a future exchange rate at today's price (for a fee). This is seen as a valuable product enhancement which could boost core FX and payments volumes by enabling CAB to book trades for a future date and not just on the day (spot FX).

- **Trade finance enhancements (to unlock trade finance constraints and boost FX and Payments business):** Trade finance is a highly attractive offering to clients. Clients can trigger payments quickly through their trade finance facility without having to tap into their own funds on a transaction-by-transaction basis. Indeed, in 2024, CAB's gross trade finance volume (excluding repayments) was £535m (that lending turns over quickly, its on-balance-sheet trade finance book was £180m). But those same trade finance clients transacted £3.2bn of FX and payments business with CAB in 2024. Trade finance creates loyalty and 'greases the wheels' of FX and payments business. But growing the trade finance lending book is capital-hungry, so CAB's opportunity to grow this on its own balance sheet is limited. It has therefore implemented a strategy of selling parts of its trade finance book (with the first transaction concluded in Feb 25), foregoing the net interest earned for on-balance sheet lending but still earning trade finance arrangement fees, and also freeing up more trade finance capacity, which can be used to boost FX and payments flows.

  It is also investigating other structured solutions to this same problem, including Syndications, Development Finance Institutions Liquidity Programmes, and Third-party funding into SPVs.

Financial analysis

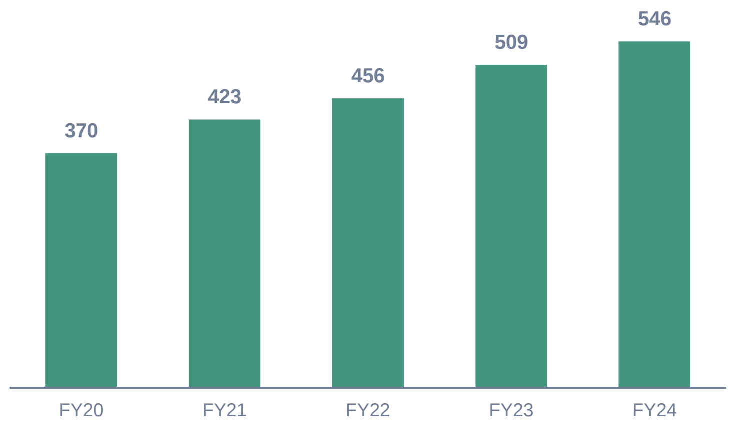
Revenue drivers (1): Active clients, FX & Payments volumes

Continuing growth in active clients

- CAB has grown client numbers every year over the last five years, evidence of continuing demand for its offering. In FY24, it added 37 net new active clients (+7%), despite the external and internal upheavals affecting the business.
- Client numbers are expected to continue to grow, possibly even more rapidly:
    - The sales team is reinvigorated with a new, high-calibre, Global Head of Sales appointed, and an upskilling exercise of the team is underway.
    - The EU office in Amsterdam (opened in 2024) now allows for direct solicitation of business in all EU countries, and license applications are in process for New York and Abu Dhabi, which will add to growth potential.
    - New products and product enhancements (page 17), such as the deposit guarantee facility open up new target markets.

Source: Company, ED

Active clients, number



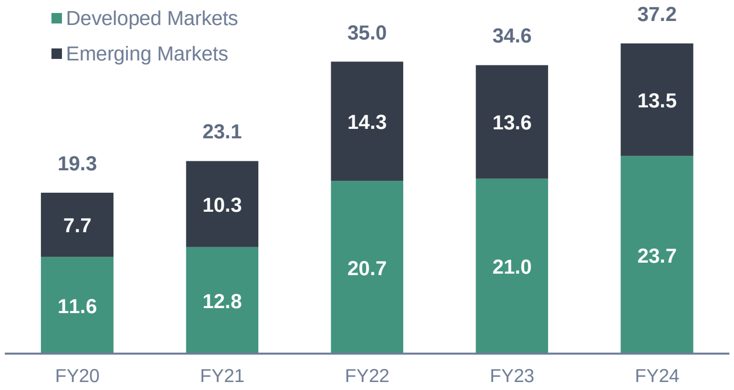
Source: Company

Volume growth slowed in FY23 & FY24, expected to re-accelerate

- After ramping up in FY22, FX and Payments volume growth tapered off in FY23 and FY24, mostly driven by weaker EM volumes.
- This weakening of EM volumes was primarily due to central bank interventions in Africa, with the Nigerian Naira, West African Franc and Central African Franc corridors hardest hit (very large markets for CAB in 2022 – see page 13). A stronger dollar also lowered average transaction values and reduced aid flows, suppressing volume growth and take-rates in emerging markets.
- Volumes are expected to re-accelerate with a stabilisation in these markets (which now make up a smaller proportion of CABs business), and an **intense focus on winning new clients and geographic diversification**.

Source: Company, ED

FX & Payments volumes, £bn



Source: Company

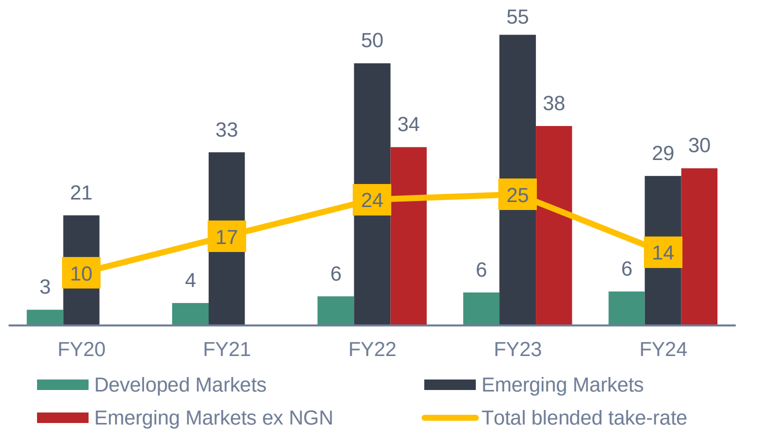
Revenue drivers (2): FX take rates, banking balance sheet

Take-rates spiked in FY22 & FY23, expected to 'normalise' at FY24 levels

- Take-rates are the combination of dealing profit (spread), transaction fees and other fees (expressed as income divided by volume).
- DM rates (green on right) have been stable and are expected to remain so.
- EM rates (black) spiked sharply in FY22 and FY23, primarily because of the spike in rates charged on Nigerian Naira (NGN) trades (page 13).
- EM rates excluding NGN (red) have been far more stable.
- Overall EM rates are now expected to remain relatively stable at c.25bps with the total blended rate (orange) also expected to remain relatively stable.

Source: Company, ED

FX & Payments take-rates, bps



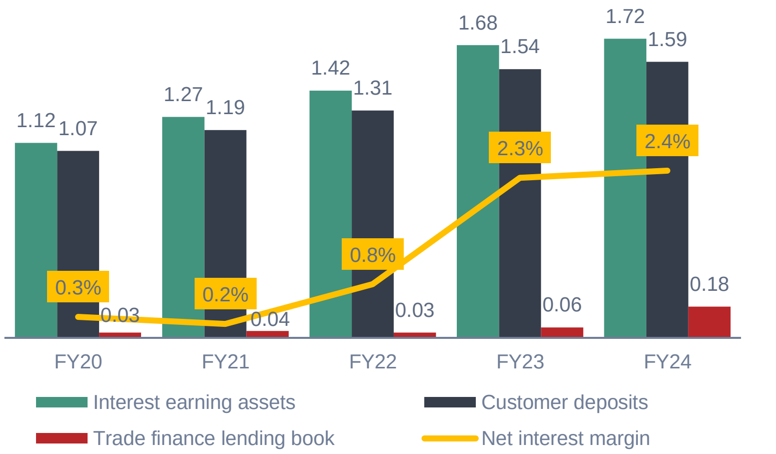
Source: Company

Banking balance sheet grown steadily, NIM up with interest rate increases

- Customers deposit money (mostly in zero-interest current accounts although some have interest-earning deposit accounts), to fund transactions, so balances (black bars) are somewhat correlated with FX & payment volumes. CAB does not target customer deposits to lend money out, as most banks do.
- CAB invests this money along with its own capital (green bars), with central banks, commercial banks and into money market funds, earning interest.
- The difference between interest earned and interest paid out is its net interest income (margin shown in orange).
- It does have a growing trade finance book (red bars) which generates net interest income and substantial fee income.

Source: Company, ED

Banking income drivers, £bn



Source: Company

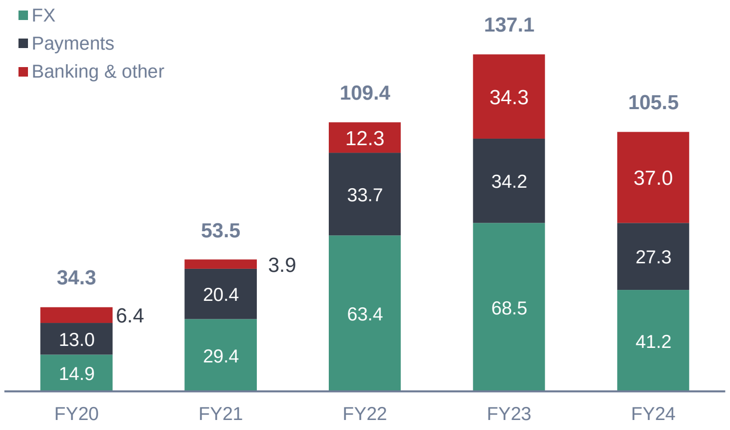
Revenue split by product type and client type

Revenue fell sharply in FY24, primarily due to African market dislocations

- Note: When clients move funds cross-border within their own organisation, it is an FX transaction. When they move funds to a third-party, it is a payment.
- Revenue jumped sharply in FY22 as the business grew, but also because of the spike in take rates in some African markets, especially Nigeria.
- While revenue was still up in FY23, growth was less than expected at the time of IPO, as volumes and take rates fell in West and Central Africa. Banking income, driven mostly by higher interest rates, drove top-line growth in FY23. The African problems continued in FY24, leading to a sharp fall in revenue.
- Revenue is expected to return to growth in FY25 (ED forecast: £111m), and its trajectory is expected to be less volatile than in previous years as the business diversifies across currency corridors, clients etc.

Source: Company, ED

Revenue split by product/service, £m



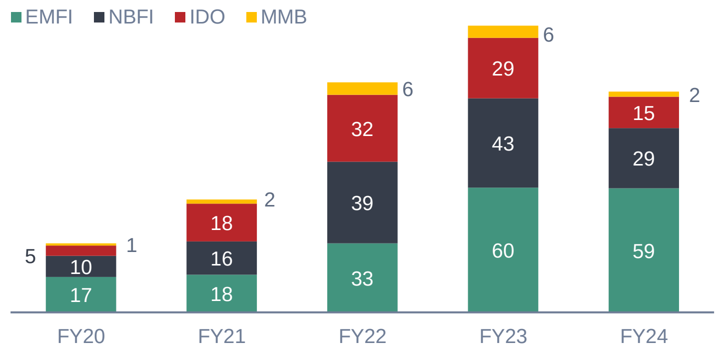
Source: Company

EMFIs were the only resilient client segment in FY24

- Revenue from all client types grew strongly up to FY22, with Emerging Markets Financial Institutions and Non-Bank Financial Institutions and Fintechs continuing their growth into FY23. Revenue from International Development Organisations started falling in FY23.
- In FY24, only EMFIs showed resilience, with strong trade finance activities from EM Banks in particular. All other segments were hard hit by the previously discussed problems in Nigeria, which are not expected to continue.
- FY24 IDO revenue was dented by a strong dollar and political uncertainty.

Source: Company, ED

Revenue split by client type, £m



Source: Company
EMFI: Emerging Markets Financial Institutions; NBFI: Non-Bank Financial Institutions and Fintechs; IDO: International Development Organisations; MMB: Major Market Banks

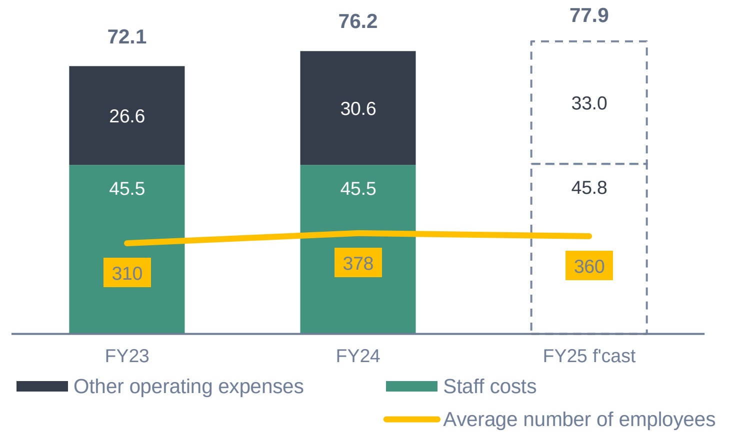
A renewed focus on cost control

Cost-reduction exercise largely complete, high operating leverage potential

- Alongside the updated strategy, in early-2025 management announced a strategic cost cutting exercise: *"The Group expects a c.20% reduction in FTE and approximately £12m cash staff cost saving in 2025 across operating expenses and capital expenditure, before upskilling and new hires. We therefore expect broadly flat staff P&L cost in 2025."* CAB estimates a non-recurring restructuring cost of £2.5m - £3.0m in 2025.
- The business has stressed that its frontline sales team in particular is being upskilled to generate higher sales.
- C.70% of operating costs were fixed in 2024, suggesting **significant potential to capture operating leverage** if the business meets its growth ambitions.

Source: Company

Underlying operating expenses*, £m



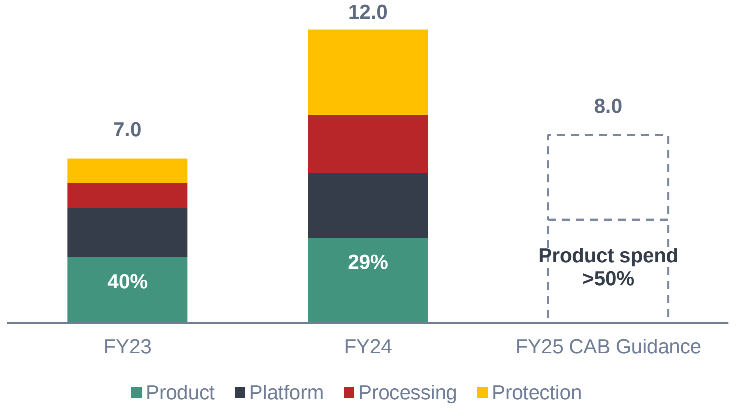
*Source: Company, ED forecasts. *Mostly recurring expenses, before depreciation, amortisation, lease interest and adjusting items*

Substantial completion of projects in 2024 = lower capex spend in 2025

- Core Capex jumped in FY24 as a result of underspend in FY23.
- The primary focus was on operational resilience and platform scalability (Platform, Processing and Protection on the chart on the right). Although Product Capex was up in absolute terms, it fell to a 29% share of Core Capex spend, from 40%.
- Now that many projects are complete or nearing completion, Capex is expected to reduce in 2025, with increasing allocation towards product (>50% of spend) i.e. **revenue-generating investment**.

Source: Company, ED

Core Capex Spend (intangible assets only), £m



Source: Company

Profit growth trajectory broken in FY24, expected to start recovering

Key income statement developments

- CAB revenue grew strongly between FY20 and FY23 but fell sharply in FY24 due mostly to the previously discussed African market foreign exchange dislocations.
- Operating costs also grew between FY20 and FY23, but at a far lower rate than income, hence adjusted EBITDA margin expanded from c. 5% to over 50% as the business scaled.
- Costs were well controlled in FY24, but the fall in income drove a sharp reduction in adjusted EBITDA and adjusted EBITDA margin.
- The large 'adjusting items' expense of £21m in FY23 (essentially non-recurring expenses) largely related to IPO costs.
- Adjusting items in FY24 (£3.7m) largely related to staff redundancy costs, dual running costs (largely offices and dual c-suite during management transition), recruitment and settlement agreements, and due diligence costs related to the bid made for the company by Stone-X (which was not pursued to completion – more details in Appendix 1 on page 29).
- Depreciation and amortisation costs have jumped in FY24 due to large investments made in Capex.
- Income and profits are expected to start recovering in FY25 and beyond, with significant operating leverage potential as the business returns to growth and scales (see page 24).

Source: Company, ED

5Y historical income statements (simplified), £m

Income	FY20	FY21	FY22	FY23	FY24
FX	14.9	29.4	63.4	68.5	41.2
Payments	13.0	20.4	33.7	34.2	27.3
Banking	6.4	3.9	12.3	34.3	37.0
Total Income	**34.3**	**53.5**	**109.4**	**137.1**	**105.5**
Total income growth		56%	105%	25%	-23%
Staff costs	-19.3	-25.1	-35.8	-45.6	-45.6
Other operating costs	-13.3	-13.5	-18.6	-26.8	-29.2
Total operating costs	**-32.6**	**-38.6**	**-54.5**	**-72.4**	**-74.8**
Operating cost growth		18%	41%	33%	3%
Adjusted EBITDA	**1.6**	**14.9**	**55.0**	**64.6**	**30.8**
Adjusted EBITDA margin	4.8%	27.9%	50.2%	47.2%	29.1%
Adjusting items	0.0	0.0	-5.3	-21.1	-3.7
EBITDA	**1.6**	**14.9**	**49.7**	**43.5**	**27.0**
Depr. & Amort.	-4.0	-5.4	-5.7	-5.9	-8.5
Interest on lease liabilities	0.0	0.0	0.0	-0.1	-0.9
Profit before tax	**-2.4**	**9.5**	**43.9**	**37.6**	**17.6**
Tax	-0.4	-1.9	-10.5	-13.7	-3.4
Profit after tax	**-2.8**	**7.5**	**33.4**	**23.7**	**14.2**
Basic EPS, p	-3.9	10.3	14.0	9.6	5.6

Source: Company

A strong balance sheet maintained, even through difficult FY24

Key balance sheet developments

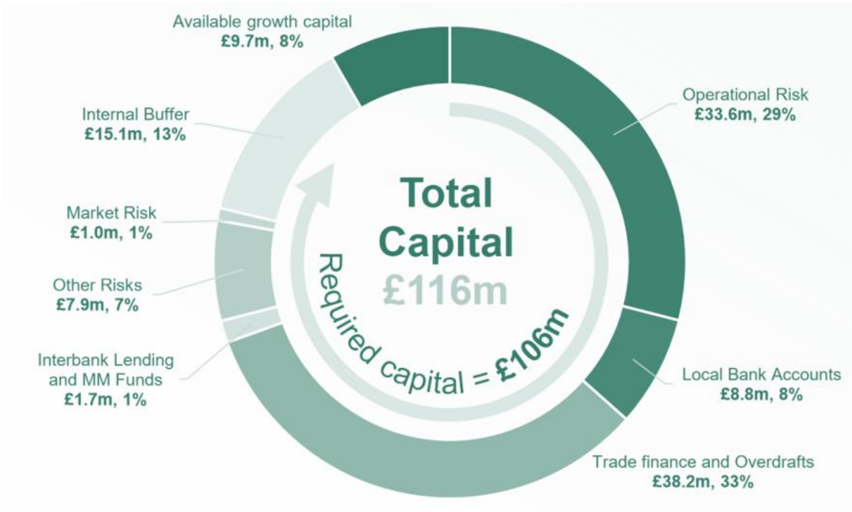
- Shareholders funds have grown over the FY20 – FY24 period, primarily as retained earnings have grown.
- CAB has maintained a CET1 ratio well above the regulatory minimum, even in FY24 when its CET1 ratio fell from 25.0% to 19.2%.
- It has maintained surplus capital well over regulatory minima and also well over regulatory minima plus internal management capital buffers.
- CAB is not a particularly 'capital-hungry' bank. It does not source depositors' funds to 'lend-on' in order to build a large lending book (which is a primary driver of banks' regulatory capital requirements).
- It only runs a relatively small trade-finance lending book and overdraft facilities (both of which drive core FX and Payments income).
- Increases in capital requirements will be driven primarily by 'operating risk' requirements (which are calculated formulaically - in proportion to average income over the last three years), and by the growth of trade finance.
- Going forward, we expect CAB's CET1 ratio to increase from current levels.

Source: Company, ED

5Y key balance sheet and capital metrics, £m

	FY20	FY21	FY22	FY23	FY24
Total shareholders' funds	66.5	74.5	108.3	131.5	146.6
Common Equity Tier 1 (CET 1)[1]	43.8	51.8	86.3	107.2	115.9
Risk Weighted Assets	181.2	186.9	269.3	421.1	603.0
CET1 Ratio (minimum 9.6%)	**24.9%**	**30.3%**	**33.4%**	**25.0%**	**19.2%**
Regulatory total own funds requirement including regulatory buffers				63.1	91.2
Surplus over regulatory own funds requirement including regulatory buffers				44.1	24.7
Total own funds requirement including internal management buffer				73.6	106.3
Surplus over own funds requirement incl. internal management buffer				**33.6**	**9.6**

Available versus required capital: 31 December 2024, £m



Source: Company. [1]Shareholders funds less intangible assets and other minor adjustments

Valuation

5Y forecasts used for fundamental valuation

Key assumptions

- CAB returns to growth in FY25, with key drivers being:
  - A pick-up in new clients added, as a result of:
    - An up-skilled sales team with new leadership
    - An increase in 'in-market' sales efforts, initially in the EU, enabled by the relatively new license, followed by New York and Abu Dhabi when those licenses are granted.
    - CAB's new product offerings help to attract clients, such as: deposit guarantee facility (already available), trade finance capacity (unlocked with first sale of an existing trade finance book), 'last mile' payments capabilities (already in place through Visa partnership), and an FX derivatives offering (to be incepted in 2025).
  - Over time, increasing revenue per client (mainly driven by product offerings above).
  - Over time, market-driven volume growth is associated with CAB's core, high growth, emerging markets.
- CAB keeps operational costs under control following its rationalisation and substantial capex investments. It should capture operating leverage (although our forecasted adj. EBITDA margin still does not reach FY22 levels, even in five years' time – which we believe is conservative).
- There is no new 'Capex wall' within this 5Y scale-up period.

Source: Company

Summary 5Y forecasts used for valuation, £m

Income Statement	FY24 A	FY25 F	FY26 F	FY27 F	FY28 F	FY29 F
FX	41.2	44.9	50.0	56.7	64.4	69.8
Payments	27.3	30.5	34.1	38.7	44.1	48.6
Banking	37.0	35.5	37.4	40.0	46.1	51.8
Total Income	**105.5**	**110.8**	**121.5**	**135.5**	**154.5**	**170.2**
Staff costs	-45.6	-45.8	-48.3	-51.2	-54.5	-57.6
Other operating costs	-29.2	-32.1	-33.9	-35.9	-38.2	-40.4
Total operating costs	**-74.8**	**-77.9**	**-82.1**	**-87.0**	**-92.8**	**-98.0**
Adjusted EBITDA	**30.8**	**32.9**	**39.4**	**48.4**	**61.7**	**72.2**
Adjusted EBITDA margin	29.1%	29.7%	32.4%	35.8%	40.0%	42.4%
Adjusting items	-3.7	-5.0	-1.5	-1.0	-0.5	-0.5
EBITDA	27.0	27.9	37.9	47.4	61.2	71.7
Depreciation & Amortisation	-8.5	-11.2	-11.3	-11.6	-11.9	-12.3
Interest on lease liabilities	-0.9	-1.8	-1.8	-1.8	-1.8	-1.8
Profit before tax	**17.6**	**15.0**	**24.8**	**34.1**	**47.5**	**57.6**
Tax	-3.4	-3.7	-6.2	-8.5	-11.9	-14.4
Profit after tax	**14.2**	**11.2**	**18.6**	**25.6**	**35.7**	**43.2**
Basic EPS, p	5.6	4.4	7.2	9.8	13.5	16.2
Balance sheet and key regulatory capital metrics						
Total shareholders' funds	146.6	158.8	178.4	205.1	241.9	286.4
Common Equity Tier 1 (CET 1)	115.9	125.2	142.1	166.0	200.3	242.2
Risk Weighted Assets	603.0	641.8	685.5	774.0	882.4	977.2
CET1 Ratio	19.2%	19.5%	20.7%	21.5%	22.7%	24.8%
Reg. own funds requirement	91.2	96.3	102.8	116.1	132.4	146.6
Surplus over reg. own funds	24.7	29.0	39.2	49.9	67.9	95.6
Total own funds requirement*	106.3	112.3	120.0	135.4	154.4	171.0
Surplus over total own funds*	9.6	12.9	22.1	30.6	45.9	71.2

*Source: Company, ED forecasts. *Including internal management buffer*

Fundamental valuation (DCF methodology) of 90p / share

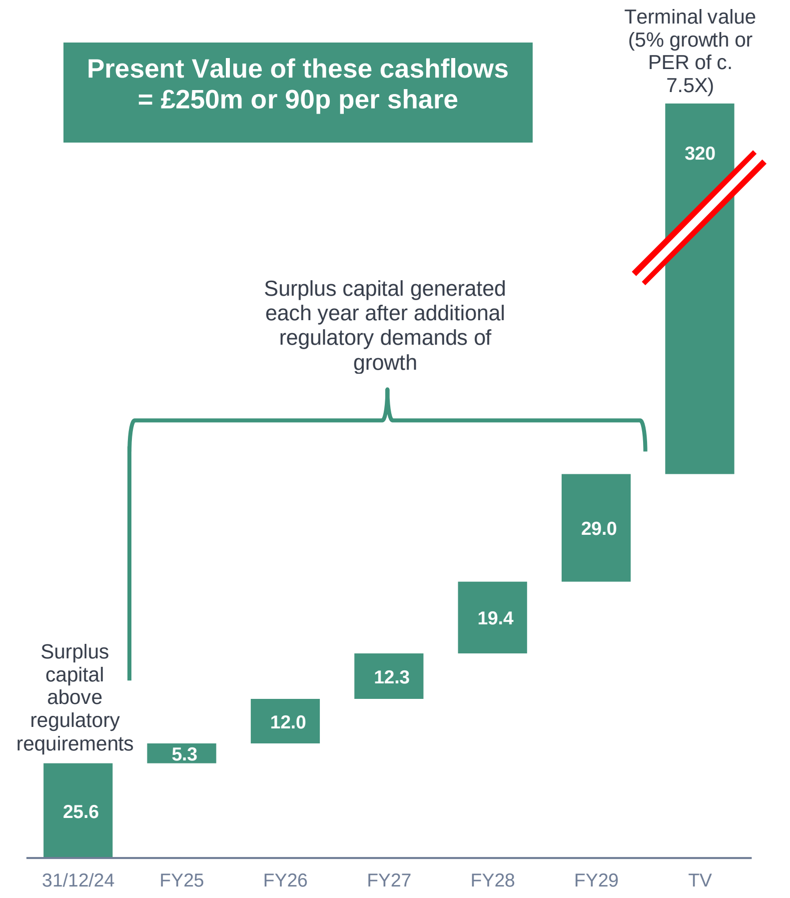
Underlying assumptions of DCF valuation

Our primary methodology for valuing CAB is a DCF model based on calculating the present value of the forecast future free cash flows available to equity holders (taking into account the regulatory capital demands of growth).

Although CAB does not currently pay a dividend, this methodology could be thought of as the present value of dividends which **could** be distributed, after setting aside sufficient regulatory capital, including all buffers etc. The methodology involves:

- Starting with CAB's current surplus capital, which is the total equity capital required at the end of 2024, taking into account all regulatory requirements including buffers (but not management's internal capital buffer of £15.1m which is not mandatory). This could be thought of as a 'current net cash'.
- For each year thereafter, we approximate net cash generated and available to shareholders as net earnings less the increase in total regulatory capital required.
- For the DCF's terminal value, we assume a perpetual growth rate of 5% (equivalent to the business being sold in year 5 at a PE Ratio of c.7.5x).
- We discount these cash flows at a rate 15%, based on a risk-free rate 4.7%, an equity market risk premium of 5.75%, and a beta of 1.75 (noting this beta may be temporarily inflated due to the short time CAB has been listed and large movements in stock price over the last year). This inflates the discount rate and reduces the fundamental value. We will continue to monitor the appropriateness of this beta value and amend as necessary in future notes.
- **This methodology produces a per share fundamental value / share of 90p, more than double the current share price.**

Surplus cash available to equity holders, £m



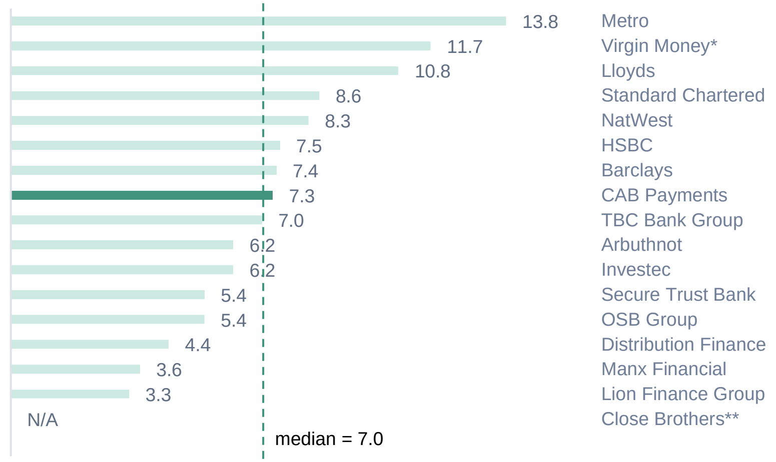
Source: Company historic data, ED forecasts and analysis

Share price in line with banks that have lower growth prospects and are more ‘capital-hungry’

PER only just above sector median

- While 2024 was clearly a disappointing year for CAB, resulting in a large share price and PER fall, we certainly see the new management team as having gone a long way to stabilising the business, and to positioning it to grow strongly.
- These **growth prospects are huge and far exceed those of most other UK-listed banks**.
- **Once CAB does return to growth, and investors re-gain confidence in CAB’s ability to capture its opportunity, we believe it’s PER is likely to re-rate to reflect these prospects - and should command a substantial premium over these comparator banks.**

PE Ratios UK-listed banks (last 12 months)

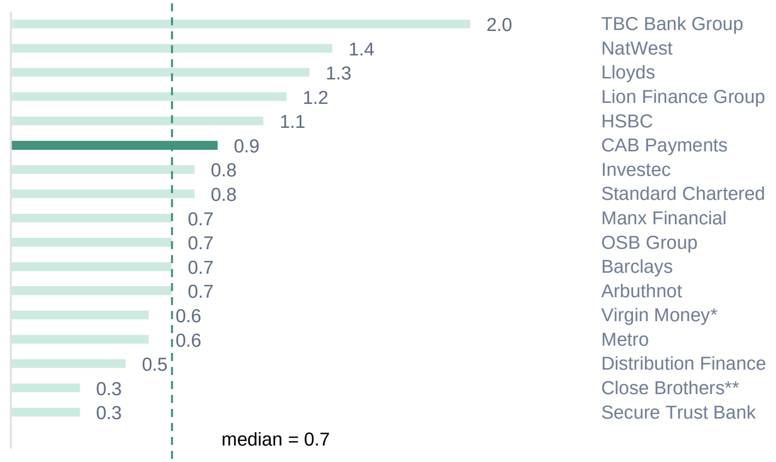


*Source: Koyfin, 11 Apr 25. *De-listed in Oct 24. **Statutory loss last 12 months*

Slight premium to sector price-to-book ratios

- As we have already detailed, CAB is not a particularly ‘capital-hungry’ bank. It does not source depositors’ funds to ‘lend-on’ in order to build a large lending book (which is a primary driver of banks’ regulatory capital requirements).
- A such, we would expect it to trade at a substantially higher price-to-book ratio compared to other UK banks. But it only trades at a slight premium at present, again suggesting potential for a re-rating.

Price to Tangible-Book-Value UK-listed banks



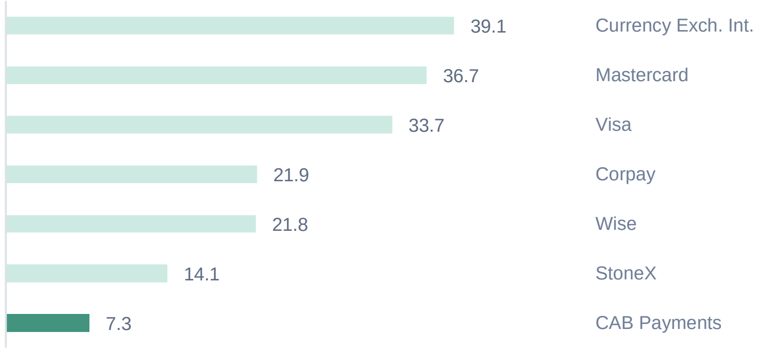
*Source: Koyfin, 11 Apr 25. *De-listed in Oct 24. **Statutory loss last 12 months*

Other FX payments companies are priced for strong growth

No direct comparators, but growth is clearly expected

- While there are no directly comparable companies to CAB to in the FX & Payments space, there are a handful which have overlaps with CAB and are certainly exposed to similar market trends.
- We do not suggest that CAB is likely to re-rate to the PER levels of these companies as business models, scale, and listing venues (amongst other factors) are all different.
- But we do highlight that these PERs certainly suggest that strong growth is expected in this space, and that headroom exists for CAB's PER to move substantially higher.
- This is consistent with our comments when comparing CAB's valuation to UK banks, and consistent with CABs share price being far below our fundamental valuation.

PE Ratios, FX & Payments specialists



Source: Koyfin, 11 Apr 25.

Summary Investment Case

- CAB has been through a difficult 18-months or so, brought about primarily by an over-concentration of business in currency corridors exposed to significant volume and pricing movements. A collapse in margins and volumes in some of these markets hit income, profits, and credibility.
- But to give credit where it is due, **rapid, extremely decisive, and often difficult actions have been taken to remove vulnerabilities and re-design the business to position it for a return to sustainable growth**. Most of the C-suite and executive management team have been changed – it is now a very high-calibre team; a new strategy has been designed and is now being executed – aimed at diversifying across geographies, clients, and products; headcount has been reduced to slash the cost base, while investments in important capex projects were maintained. It has been a monumental reset, but CAB looks like it is now very well placed to kick-on.
- It has a **huge opportunity to scale up - by a lot**. CAB has only scratched the surface of an enormous and high-growth target market, has already built substantial networks, partner relationships, and systems to service this market, and has competitive advantages over most competitors. Capturing the opportunity is mostly about successful execution.
- It has **structural advantages over most competitors** (its banking license is key to this) including an extensive network of business partners, relationships and operating infrastructure (payment rails) in hard-to-reach markets which has taken years to build and is difficult to replicate. This makes capturing the scale-up opportunity a credible proposition.
- Even at its existing scale, it is already a highly profitable business with an adjusted EBITDA margin of close to 30% (that after a sharp revenue fall in FY24). It has invested heavily in capex over the last year and has built an infrastructure capable of processing a much larger business volume with limited increases to the cost base (c. 70% of operating costs are now fixed). **With scale, we think profit margins could ratchet up significantly**. We think the adjusted EBITDA margin could increase to a percentage in the high-40s or even over 50% as operational leverage is captured.
- The business **remains well-capitalised** with a robust surplus, even after the weak 2024.
- Following a c.85% fall in share price since the IPO, **the share price now appears to significantly undervalue the business**. When investors start to regain confidence in CAB, the group's share ratings have the potential to significantly improve.

Appendix 1: History of CAB Payments

CAB's history dates back to 1833 when it operated as part of HM Government's Crown Agents' office, which was established to manage financial transactions for British colonies.

Over time, its role evolved, and Crown Agents Bank was established, playing a key role for the British Government in disbursing development aid funds for the then Department of International Development. It developed relationships with local banks around the world over many decades, which forms the foundations of CAB Payments' extensive network today. The company received its UK banking licence in 1989.

The group's clients were predominantly central banks and government pension schemes. Services offered were payment and cash management including pensions payments, FX, treasury and trade finance.

In 2016, the group was acquired by private equity group Helios Investment Partners. The involvement of Helios resulted in a restatement of the Bank's strategic direction – "*The Bank has set itself a challenge of becoming the preferred bank conduit for the provision of transaction services to and from OECD markets and our target emerging and frontier markets." (2016 AR).* One of its flagship products, EMPower FX was launched in 2017 (still used today although with greatly enhanced technology).

A key event during this period was the acquisition of the enterprise business of Segovia, a US-based FinTech company, in 2019. One of the core pieces of proprietary technology developed by Segovia was its Payment Gateway (i.e., an API/GUI-accessible enterprise payment platform), allowing payments to be made to several of CABP's core markets in Africa. The Segovia Payment Gateway was incorporated into the broader product set now known as EMPower Payments.

Helios owned the bulk of the company until July 2023, when CABP listed on the LSE main market. Helios sold its stake down to around 45% at the time of listing.

In addition to the market and company developments detailed in this note, it is worth flagging that the board of CAB received a series of unsolicited approaches from StoneX Group Inc, beginning in July 2024, relating to a possible offer for the entire issued share capital of the Company. The Board evaluated these and concluded that the bids were not in the best interests of the Company and its shareholders. In October 2024 it received a revised unsolicited non-binding proposal from StoneX. Discussions with StoneX continued through October, however on 7 November 2024, StoneX announced that it did not intend to make an offer.

Appendix 2: List of largest shareholders

Top 10 Shareholders	
Helios Investment Partners LLP	45.1%
Working Capital Advisors (UK) Limited	8.7%
BlackRock, Inc.	6.7%
Eurocomm Holding Limited	5.2%
Harspring Capital Management, LLC	4.0%
Mangrove Partners IM, LLC	2.8%
Bhairav Trivedi	2.4%
OVMX Vermogensbeheer	2.0%
Hargreaves Lansdown	1.7%
Caro-Kann Capital LLC.	1.3%
	79.9%

Source: Company, as at 28 Feb 25

Appendix 3: Board of Directors

Ann Cairns, Chair and Independent Non-Executive Director

Ann is on the board of Lightrock, a global private equity platform investing in sustainable businesses. She is Chair of Financial Alliance for women, a global peer-to-peer network whose members work in more than 135 countries to build programmes that support women with access to capital, information, education and markets. She is also a member of the UK Government's Artificial Intelligence Council. Ann has previously held board positions with ICE, AstraZeneca and Charity Bank and was the lead non-executive for BEIS, the UK Government's department for Business, Energy and Industrial Strategy.

Until December 2022, Ann served as the executive Vice Chair of Mastercard, having previously been President of International Markets for the company, responsible for the management of all customer-related activities in over 200 countries around the world. During her time at Mastercard, Ann's role focused on building sustainable, strong growth rates across both mature and emerging markets, and she led the company's expansion into new territories. Before joining Mastercard, Ann led the Financial Services Group with Alvarez & Marsal in London and during that time was the CEO of Lehman Holdings in Europe during their Chapter 11 process.

Ann spent over 20 years in banking, predominately in the payments and FX businesses. She was the CEO of Transaction Banking at ABN-AMRO, following 15 years in senior operational positions at Citigroup. She ran the payments infrastructure of Citi across 103 countries with circa 6000 staff and she launched the first-ever electronic currency trading platform for Citi during her time in the investment bank.

Ann has a First-Class Pure Mathematics degree and honorary doctorate from Sheffield University and a M.Sc. with research into medical statistics and honorary doctorate from Newcastle University. She is also a fellow of London Business School.

Neeraj Kapur, CEO & Director

Neeraj Kapur is an experienced banker and bank CEO/CFO with more than 20 years' experience in senior leadership roles in retail, corporate and SME banking at RBS. He has also held main Board Executive director roles in Secure Trust Bank that he listed on the FTSE in 2016 and from 2020 FTSE 250 Vanquis Banking Group (previously named Provident Financial Group).

He is a Chartered Banker and Chartered Accountant qualifying with Arthur Andersen 30 years ago. He has a wealth of experience in M&A, transformation, integration as well as building ab initio lending businesses. Neeraj started his career as an RAF Fighter Pilot after attaining his degree in aeronautical engineering from Imperial College London.

Noel Harwerth, Independent Non-Executive Director

Noel Harwerth is Chairman of the UK Export Finance agency and serves on the Board of the UK Department of International Trade. She also serves on the boards of One Savings Bank (SID) and Scotia Bank Europe (SID). Prior roles include the Boards of Standard Life (Chair, Risk Committee), 2012-2018, London Metals Exchange, 2012-2018, and Bank of England RTGS/CHAPS Board 2015-2021. She has served on the Boards of three mining companies – Dominion Diamond (Audit Chair), Avocet and Sirius Minerals (SID). She was Chairman of GE Capital Bank Europe until April 2017, and served as Chairman of Sumitomo Mitsui Bank (Europe, Middle East and Africa) from 2004 to June 2015. She has served on the Boards of Alent (Chair Compensation Committee), Corus (British Steel), Logica (Chair Compensation Committee), Impellam Group (SID), and RSA Insurance Group (Chair Risk Committee).

Noel was appointed by the UK government as Partnership Director of the London Underground and served in that role from 2003-2008, having previously served on the Board of Transport for London, where she chaired the Audit Committee. In 2006 she was appointed by the UK Government to the Board of the Tote and served as its audit chair until its privatisation.

From 1998 to 2004, Noel was Chief Operating Officer of Citibank International PLC in London. She was responsible for infrastructure and governance of Europe's first truly pan European bank with branches in 18 countries. Prior to joining Citicorp in 1988, she held senior positions in Dun and Bradsheet and Kennecott Copper Corporation where she worked on large complex international mining transactions. Noel was educated at the University of Texas in Austin and holds a Juris Doctor Degree from the University of Texas Law School. She has both US and British citizenship. Noel is a liveryman of the Worshipful Company of International Bankers, Chairman of the UK chapter of Woman Corporate Directors, member of the International Women's Forum, and served on the Board of the British Horseracing Authority from 2013-2019.

Simon Poole, Non-Executive Director

Simon brings to the Board finance and administration experience across a range of businesses in numerous African countries. He was CFO of Intela Global Ltd; Lawson's Corporation and Celtel International (in Burkina Faso, Chad and DRC).

Earlier in his career, Simon held finance and accounting roles with Price Waterhouse, Bank of America and BT. He serves on Boards of Directors for HTN Towers, Interswitch Limited and Helios Towers Africa Limited.

He qualified as a Chartered Accountant with Price Waterhouse and is a member of the Institute of Chartered Accountants in England and Wales.

Jennifer Johnson-Calari, Independent Non-Executive Director

Jennifer brings over 37 years of financial services experience. She is one of the principal architects and a former Director of The World Bank's Reserves Advisory and Management Program (RAMP).

Having started her career at the Federal Reserve Board, Jennifer then moved to the US Comptroller of the Currency (OCC), where she specialised in market risk management and participated in the Basel Committee of Bank Supervision. In 1990, she became Portfolio Manager at the International Bank for Reconstruction & Development, the first of five member institutions that make up The World Bank Group.

She later became Director of Sovereign Investment Partnerships at The World Bank, during which time RAMP became the world's leading provider of consulting and capacity-building services to public sector asset managers. During her tenure, Jennifer worked with over 50 official sector asset managers in emerging economies – including central banks, sovereign wealth funds and national pension funds – to strengthen governance and build investment management capacity.

Drawing on her extensive experience Jennifer has co-authored and contributed to several books, journals and whitepapers relating to commodity fund revenue, central bank reserves management and policy issues. Most recently, she wrote a chapter addressing governance which features in the book, Asset Management at Central Banks and Monetary Authorities, published by Springer. In collaboration with Blackrock and Central Banking Studies, Jennifer was editor and contributing author of Sovereign Wealth Management, on the evolution and best practice in sovereign wealth management.

Karen Jordan, Independent Non-Executive Director

After more than 20 years advising some of the world's most successful financial services companies on regulatory matters, Karen now holds a small number of roles as an Independent Non-Executive Director. These roles include financial services companies and the whistleblower protection charity, Protect.

Specialising in banking and asset management, Karen's executive roles included stints at PwC, Barclays and State Street. She has advised on global and cross-border regulatory and law enforcement matters involving a range of complex governance, regulatory and reputational challenges. She also took the lead role in ensuring that projects to provide redress to customers due to mis-selling or wrongdoing were well-managed and produced fair outcomes for those customers.

Karen has an auditing background, and she qualified as a Chartered Certified Accountant in 1992.

Susanne Chishti, Independent Non-Executive Director

Susanne has over 25 years of industry expertise including at board-level, with a strong focus on organisational governance and the small and medium enterprise (SME) market. Her experience draws on 15 years in finance, having held senior positions at Deutsche Bank, Lloyds Banking Group, Morgan Stanley and Accenture.

She is an Independent Non-Executive Director at CMC Markets PLC, a FTSE 250 company where she is also a member of the Risk, Audit, Nomination and Remuneration Committees and the CEO of FINTECH Circle, Europe's first Angel Network focused on fintech innovation.

A bestselling author, Susanne co-edited "The FINTECH Book" series, which has been translated into 10 languages and sold across 107 countries, in addition to six further fintech books published by Wiley. Her wealth of experience led her to being recognised among the "Top 10 global Fintech influencers in 2022" (Evening Standard), the Fintech Champion of the Year in 2019 (Women in Finance Awards) and in the European Digital Financial Services "Power 50" 2015, an independent ranking of the most influential people in digital financial services in Europe. Susanne holds an MBA from Vienna University of Economics and Business.

Caroline Brown, Independent Non-Executive Director

Dr Brown brings a wealth of experience to Crown Agents Bank as an Independent Non-Executive Director and commercially focused business leader with over 20 years main Board experience driving strategic growth and leading high performing teams in the financial services and technology sectors. She is a member of Crown Agents Bank's group audit committee.

Caroline has delivered business strategy across EMEA, the Americas, former-CIS, India and the Far East in commercial leadership roles for FTSE100 groups, mid-cap companies, and innovative small and medium sized enterprises. Her early career was in corporate finance with BAML (New York), UBS and HSBC advising global corporations and governments. She currently chairs the audit and risk committees of two FTSE250 listed businesses, IP Group plc and WAG Payment Systems plc and formerly chaired the audit, risk and compliance committee of Earthport plc, a regulated payment institution, prior to its acquisition by VISA International.

Caroline holds a BA (first) and PhD from the University of Cambridge, is a Fellow of the Chartered Institute of Management Accounting and holds an MBA from the University of London.

Appendix 4: Historic and Forecast financials

Consolidated Income Statements + Forecasts					
12 months to end Dec, £m	**FY22A**	**FY23A**	**FY24A**	**FY25E**	**FY26E**
FX	63.4	68.5	41.2	44.9	50.0
Payments	33.7	34.2	27.3	30.5	34.1
Banking	12.3	34.3	37.0	35.5	37.4
Total Income	**109.4**	**137.1**	**105.5**	**110.8**	**121.5**
Operating Expenses	(54.5)	(72.4)	(74.8)	(77.9)	(82.1)
Staff costs	(35.8)	(45.6)	(45.6)	(45.8)	(48.3)
Other op. exp. (before adj. items)	(18.6)	(26.8)	(29.2)	(32.1)	(33.9)
Adjusted EBITDA	**55.0**	**64.6**	**30.8**	**32.9**	**39.4**
Adjusting items (non-recurring)	(5.3)	(21.1)	(3.7)	(5.0)	(1.5)
EBITDA	**49.7**	**43.5**	**27.0**	**27.9**	**37.9**
Depreciation & Amortisation	(5.7)	(5.9)	(8.5)	(11.2)	(11.3)
Profit before tax	**43.9**	**37.6**	**17.6**	**15.0**	**24.8**
Tax expense	(10.5)	(13.7)	(3.4)	(3.7)	(6.2)
Profit after tax	**33.4**	**23.7**	**14.2**	**11.2**	**18.6**
Profit for the year attributable to:	-	-	-	-	-
-owners of the parent	31.0	22.7	14.2	11.2	18.6
-non-controlling interests	2.4	1.0	-	-	-
Basic EPS, p	14.0	9.6	5.6	4.4	7.2
Diluted EPS, p	14.0	9.6	5.6	4.4	7.2

Source: Group report & accounts and ED estimates

Consolidated Statement of Financial Position + Forecasts

12 months to end Dec, £m	FY22A	FY23A	FY24A	FY25E	FY26E
Assets					
Cash & balances at central banks	607.4	529.8	584.7	660.2	760.8
Money market funds	209.5	518.8	488.2	551.2	635.3
Loans & advances on demand to banks	90.2	135.2	185.6	209.5	241.5
Other loans and advances to banks	85.5	136.1	180.1	199.9	225.9
Loans and advances to customers	12.4	8.2	32.6	36.2	40.9
Investment in debt securities	414.1	353.0	246.0	246.0	246.0
Derivative financial assets	6.6	3.8	4.9	4.9	4.9
Unsettled transactions	16.1	8.4	10.9	10.9	10.9
Accrued income	0.9	1.2	0.9	0.9	0.9
Investment in equity securities	0.5	0.5	0.6	0.6	0.6
Other assets	16.4	11.2	19.3	19.3	19.3
PPE	1.6	1.2	2.8	2.8	2.9
Right of use assets	1.1	0.7	17.8	14.8	12.3
Intangible assets	21.9	24.3	30.6	33.6	36.3
Assets classified as held for sale	1.4	-	-	-	-
Total assets	**1,485.4**	**1,732.5**	**1,804.8**	**1,990.8**	**2,238.4**
Liabilities	-	-	-	-	-
Client accounts	1,305.6	1,542.9	1,585.0	1,759.4	1,988.1
Derivative financial liabilities	4.5	9.7	0.5	0.5	0.5
Lease liabilities	1.3	0.9	18.1	17.4	16.8
Unsettled transactions	25.8	20.1	35.2	35.2	35.2
Accruals	19.4	18.4	10.4	10.4	10.4
Deferred tax liability	0.3	0.7	1.2	1.2	1.2
Provisions	0.1	0.2	1.9	1.9	1.9
Other liabilities	11.5	8.1	6.0	6.0	6.0
Liabilities classified as held for sale	1.0	-	-	-	-
Total liabilities	**1,369.5**	**1,601.0**	**1,658.3**	**1,832.0**	**2,060.0**
Equity	-	-	-	-	-
Called up share capital	68.0	0.1	0.1	0.1	0.1
Treasury shares reserve	-	-	(0.2)	(0.2)	(0.2)
Retained earnings	40.2	131.5	146.7	158.9	178.6
Investment revaluation reserve	0.1	0.1	0.1	0.1	0.1
Foreign currency translations reserve	(0.0)	(0.1)	(0.1)	(0.1)	(0.1)
Other reserves	-	-	-	-	-
Shareholders funds	**108.3**	**131.5**	**146.6**	**158.8**	**178.4**
Non-controlling interests	7.7	-	-	-	-
Total Liabilities + equity	**1,485.4**	**1,732.5**	**1,804.8**	**1,990.8**	**2,238.4**

Source: Group report & accounts and ED estimates

Consolidated Cash Flow Statements + Forecasts					
12 months to end Dec, £m	**FY22A**	**FY23A**	**FY24A**	**FY25E**	**FY26E**
Cash generated/(outflow) op. activities	**(233.4)**	**322.9**	**96.8**	**178.1**	**235.2**
Tax paid	(9.6)	(14.1)	(11.8)	(3.7)	(6.2)
Payments for interest on lease liabilities	(0.0)	(0.1)	(0.0)	(0.1)	(0.1)
Net cash from operating activities	**(243.0)**	**308.8**	**85.0**	**174.3**	**228.9**
Cash flow used in investing activities	-	-	-	-	-
Purchase of PPE	(0.3)	(0.4)	(2.4)	(1.4)	(1.5)
Purchase of intangible assets	(4.5)	(7.0)	(12.5)	(9.8)	(10.2)
Refund/(purchase) of inv. Subsidiaries	-	(0.5)	0.0	-	-
(Purchase)/sale of equity investments	-	-	(0.1)	-	-
Proceeds from sale of inv. in CAIM	-	2.1	-	-	-
Net cash used in investing activities	**(4.9)**	**(5.8)**	**(15.0)**	**(11.2)**	**(11.7)**
Cash flow used in financing activities	-	-	-	-	-
Capital injection from issue of shares	-	-	-	-	-
Repayment of principal, lease liability	(0.3)	(0.5)	(0.3)	(0.6)	(0.6)
Proceeds from shares issued	-	1.0	-	-	-
Purchase of treasury shares	-	-	(0.2)	-	-
Dividends paid	-	(12.8)	-	-	-
Increase in overdraft accounts	-	-	-	-	-
Net cash used in financing activities	**(0.3)**	**(12.3)**	**(0.5)**	**(0.6)**	**(0.6)**
Net increase in cash and cash equivalents	**(248.2)**	**290.6**	**69.5**	**162.5**	**216.6**
Cash and cash equivalents at the beginning of the year	1,120.1	907.1	1,183.8	1,258.4	1,420.9
Effect of exchange rate changes on cash and cash equivalents	35.1	(13.9)	5.2	-	-
Cash and cash equivalents at the end of the year	**907.1**	**1,183.8**	**1,258.4**	**1,420.9**	**1,637.5**

Source: Group report & accounts and ED estimates

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