

13 July 2011

Monitise

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/09	2.7	(11.4)	(3.5)	0.0	N/A	N/A
06/10	6.0	(14.0)	(3.0)	0.0	N/A	N/A
06/11e	14.0	(15.6)	(2.2)	0.0	N/A	N/A
06/12e	26.0	(11.5)	(1.6)	0.0	N/A	N/A

Note: *PBT and EPS are normalised, excluding intangible amortisation and exceptional items.

Investment summary: On track

Monitise's pre-close trading update flags better than expected growth and a strong outlook, while margin expansion in the 'live' operations shows further validation of the business model. Investment in growth continues, but the goal of group-level profitability and positive cash flows by 2013 are looking increasingly well founded.

Revenue outperformance, investing in growth

Full year revenues are expected to be £14m vs Edison at £12.5m, up 133% y-o-y with H2 up 66% sequentially. Given the H2 implementation wins with Visa Europe and others it is likely that the bulk of this outperformance is driven by integration services, although registered subscribers at close to 4.5m are also ahead of our 4.1m estimate. The year-end revenue run rate is £20m with minimum contracted revenues standing at c £55m, underpinned (at least \$50m) by the recent Visa deal. Group-level profitability is not disclosed, but 'live' operations have witnessed a strong increase in operating profit and cash generation, offset by investment in growth. Reflecting this investment, net cash of "at least £23m" compares to our £25.4m estimate.

Deeper integration

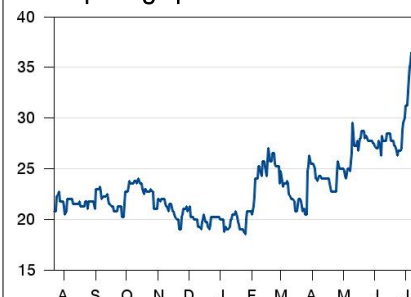
Operationally the main new highlight is the launch of enhanced services with RBS/NatWest, including an iPad app and enhancements to the iPhone offering. The availability of these services should clearly open the way for greater transactional revenues, while the implementation's integration into the client's core banking system infers a long-term commitment to Monitise on the part of RBS/NatWest.

Valuation: Strategic value

We have upgraded our FY12 sales by £1m reflecting this year's outperformance and the strong outlook. Clearly there is still scope for upside here. PBT loss is increased by £1.3m reflecting rising investment. More importantly, the track towards group-level profitability and cash generation in 2013 is looking increasingly underpinned. The rating of c 9x 2012 sales is clearly an aggressive growth rating, but the business is growing at 100% and has comfortably beat our top-line estimates over the past year. It is also clearly a strategic asset, with an increasingly well cemented position in a market with evident growth potential.

Price 34.5p
Market Cap £243m

Share price graph



Share details

Code MONI
Listing AIM
Sector Mobile Telecommunications
Shares in issue 703m

Price

52 week High 36.5p Low 18.5p

Balance Sheet as at 30 June 2011e

Debt/Equity (%) N/A
NAV per share (p) 4.2
Net cash (£m) 23.7

Business

Monitise provides a mass market technology platform that enables banks, card schemes and other financial providers to offer mobile banking and payment services.

Valuation

	2010	2011e	2012e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	23.8	15.2	8.9
ROE	N/A	N/A	N/A

Geography based on revenues

	UK	Europe	US	Other
N/A	N/A	N/A	N/A	N/A

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Exhibit 1: Financials

Year end 30 June	£'000s	2009	2010	2011e	2012e
		IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS					
Revenue		2,658	6,019	14,034	25,971
Cost of Sales		(1,167)	(2,213)	(6,123)	(11,554)
Gross Profit		1,491	3,806	7,910	14,417
EBITDA		(11,767)	(13,168)	(14,995)	(10,108)
Operating Profit (before GW and except)		(11,977)	(14,053)	(16,040)	(11,928)
Amortisation of acquired intangibles		0	(235)	(28 0)	(28 0)
Exceptionals		0	956	0	0
Share based payments		(1,754)	(3,776)	(2,500)	(2,500)
Operating Profit		(13,731)	(17,108)	(18,820)	(14,708)
Net Interest		604	65	400	400
Profit Before Tax (norm)		(11,373)	(13,988)	(15,640)	(11,528)
Profit Before Tax (FRS 3)		(13,127)	(17,043)	(18,420)	(14,308)
Tax		0	273	312	0
Profit After Tax (norm)		(11,373)	(13,715)	(15,328)	(11,528)
Profit After Tax (FRS 3)		(13,127)	(16,770)	(18,108)	(14,308)
Average Number of Shares Outstanding (m)		329	453	686	703
EPS - normalised (p)		(3.5)	(3.0)	(2.2)	(1.6)
EPS - FRS 3 (p)		(4.0)	(3.7)	(2.6)	(2.0)
Dividend per share (p)		0	0	0	0
Gross Margin (%)		56	63	56	56
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		992	3,656	7,731	9,631
Intangible Assets		659	2,725	5,825	7,225
Tangible Assets		333	931	1,906	2,406
Current Assets		15,798	17,405	29,066	15,758
Debtors		1,227	1,500	2,600	2,500
Other		4,426	2,687	2,687	2,687
Cash		10,145	13,218	23,779	10,571
Current Liabilities		(7,399)	(5,723)	(6,636)	(7,536)
Creditors		(4,020)	(5,687)	(6,600)	(7,500)
Short term borrowings		(3,379)	(36)	(36)	(36)
Long Term Liabilities		(57)	(1,119)	(521)	(521)
Long term borrowings		(57)	(21)	(21)	(21)
Net Assets		9,334	14,219	29,640	17,332
CASH FLOW					
Operating Cash Flow		(11,396)	(14,071)	(15,182)	(9,108)
Net Interest		604	70	400	400
Tax		0	207	0	0
Capex		(307)	(1,104)	(5,400)	(4,000)
Acquisitions/disposals		0	71	(500)	(500)
Financing (including demerger adjustments)		11,548	17,915	31,314	0
Dividends		0	0	0	0
Net Cash Flow		449	3,088	10,632	(13,208)
Opening net debt/(cash)		(7,213)	(6,709)	(13,161)	(23,722)
HP finance leases initiated		0	0	0	0
Other		(953)	3,364	(71)	0
Closing net debt/(cash)		(6,709)	(13,161)	(23,722)	(10,514)

Source: Edison Investment Research, company accounts

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