

Monitise Plc (MONI)



ISR view

Monitise is leading the way in the provision of mobile banking services in the UK and, through partnerships with key leading financial players and retailers, looks likely to replicate that success in other markets. The valuation is relatively high, but is reflective of the company's strategic potential.

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Monitise doubles revenues in FY10/11 and expects same this year

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Mobile money, payments and e-commerce provider Monitise has released a typically upbeat update for the year just closed, with revenues more than doubling to £14m and a further doubling expected this year. The update also highlights strong growth in profitability and cash flow of live operations. We anticipate upgrading our revenue forecasts as a result. Monitise shares have doubled since the start of the year, to 34.5p, giving the company a market value of £240m and making it probably the most highly rated of the stocks that we cover. However, recent transactions demonstrate the strategic value of mobile money players, with eBay buying mobile payment provider Zong for \$240m and Square (a mobile credit card payment company started by Twitter founder Jack Dorsey) reportedly recently raised \$100m at a \$1bn valuation. With its strong technology platform and roll call of major strategic partners, Monitise would seem as well placed as any, in our view, to exploit the mobile money opportunity.

For the year ended June 2011, Monitise expects to report revenues of approximately £14m, up from £6m last year. With a £20m run rate at the end of the year, Monitise says that it is well positioned to double revenues again this year, which is likely to lead to upgrades given consensus for FY12 of £25m according to megabuyte. The company's minimum forward contracted revenues has also expanded fourfold over the last year to £55m over the next five years, aided by an upgraded agreement with Visa Inc and a new agreement with Visa Europe, among others. The company remains on track for break even in calendar year 2013.

The release also refers to strong growth in operating profit and cash generation from live operations, which is being ploughed back into further business development and R&D. The company ended the year with £23m in cash, which should be sufficient to reach cash flow breakeven. In terms of operating

metrics, customer numbers are now approaching 4.5m (up from 3.5m in February), and the company is handling 10m banking transactions a month and processing an average of £100m of mobile payments each month.

Monitise is leading the charge on mobile money on multiple fronts, which is now coming through, as this update shows, in terms of financial and operating metrics and also positioning the company well as a key partner for financial companies, retailers and mobile operators. The update highlights the breadth of the company's activities, with recent developments including a much upgraded mobile banking service for RBS/NatWest, ongoing development of the mobile commerce venture with Best Buy and Charles Dunstone, and the launch of mobile money services in India.

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