

# Trading update | Monitise plc

## Monitise bags £25m Visa Europe investment

Mobile money specialist Monitise has further strengthened its position with a £24.7m equity investment by major customer Visa Europe, which follows similar investments by separate company Visa Inc, and has also taken control of its American JV for \$15m in shares. The company has also reiterated its guidance of revenues doubling this year and cash flow breakeven by the end of 2013. This latest Visa Europe deal highlights Monitise's undoubted strategic value in mobile money, following recent upgraded commitments from partners RBS and Visa Inc, whilst taking full control of the US business should enable Monitise to re-energise it, and follows a precedent with its UK business. Monitise trades at a premium 9x this year's revenues, but is a must hold stock for anyone seeking exposure to the mobile money opportunity.

### Company basics

RIC	MONI
Share price £	0.37
Market cap £m	261.9
Net cash £m	23.6
Enterprise value £m	238.3

### Estimates and valuation

Year end Jun	Financials					Valuation			
	Rev £m	Adj PBT £m	Adj EPS p	DPS p	Net cash £m	EV/sales x	EV/NOPAT x	PER x	Yield
FY-10 A	6.0	-14.3	-2.2	0.00	13.2	41.3	na	na	0.0%
FY-11 A	14.0	-15.7	-1.6	0.00	23.6	17.0	na	na	0.0%
FY-12 E	28.3	-10.8	-1.1	0.00	8.0	9.0	na	na	0.0%
FY-13 E	42.3	-3.0	-0.3	0.00	0.9	6.2	na	na	0.0%
FY-14 E	59.8	5.6	0.6	0.00	3.5	4.3	65.8	65.6	0.0%
FY-15 E	79.1	14.8	1.5	0.00	16.8	3.1	23.6	25.2	0.0%

Source: ISR, Company, Morningstar

- Monitise has announced that Visa Europe, which was signed as a new customer in February, has invested £24.7m in Monitise at 35p per share for an 8.8% stake, whilst Visa Europe's CEO Peter Ayliffe is joining the Monitise Board. This follows the pattern established by separate company Visa Inc, which invested after becoming a Monitise customer and, if that relationship is anything to go by, the closer relationship with Visa Europe should lead to even greater opportunities for Monitise over time, given Visa Europe's 4,000 European member banks and 438m card holders.
- Monitise is also buying out its American JV partner, FIS, for \$15m for 51%, payable in Monitise shares, which will give FIS a 3.3% stake in Monitise. Monitise originally established the JV with Metavante in 2007, with Metavante being acquired by FIS in 2009. FIS will remain a commercial partner for Monitise. This move mirrors the UK, where Monitise bought out its then JV partner VocaLink in August 2009, with VocaLink continuing to provide its ATM network connectivity.
- Monitise has also reiterated its guidance of revenues doubling in the year to June 2012 (and the full consolidation of the US JV will add a bit more on top), having more than doubled last year to £14m, and for cash flow breakeven by the end of calendar year 2013. The company has no immediate plans for the £24.7m cash provided by Visa Europe, but given the fast moving and ever-expanding nature of the market, it gives the company more firepower if needed.

\* Monitise plc is an equity research client of I S Research Ltd

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As with Visa Inc's investment in Monitise and a, so far, twice upgraded strategic relationship to three times the original contract amount, and RBS significantly strengthening its relationship with Monitise just two months ago, this investment by Visa Europe further highlights Monitise's strategic value to major corporates. The company is becoming the provider of choice for big financial companies requiring a partner to develop and support mobile money products. If the RBS and Visa Inc experience is anything to go by, the closer relationship between Visa Europe and Monitise should lead to bigger projects for Monitise, whilst the extra £24.7m of cash gives Monitise even more scope to exploit emerging opportunities.

The US deal is an evolution of a JV that mirrors what happened in the UK. It remains to be seen how it will impact the US business but, to the extent that the US has lagged the UK in terms of market penetration, the move should enable Monitise to re-energise the US business. The UK business, which is now profitable, clearly did not suffer from Monitise taking full control.

#### Estimates & metrics

	June-10	June-11	June-12	June-13	June-14	June-15
Financials	Act	Act	Est	Est	Est	Est
<b>Profit &amp; Loss</b>						
Revenue £m	6.0	14.0	28.3	42.3	59.8	79.1
Adj EBITDA £m	-13.2	-14.8	-9.3	-0.8	8.9	19.8
Adj EBIT (before SBP) £m	-14.3	-15.7	-10.8	-3.0	5.6	14.8
Reported PBT	-17.0	-17.2	-12.6	-5.0	3.4	12.4
PBT before excepts and AAG	-18.0	-17.2	-12.6	-5.0	3.4	12.4
Fully adj PBT	-14.2	-15.5	-10.7	-2.9	5.7	15.0
NOPAT £m	-10.0	-11.0	-7.6	-2.1	3.9	10.4
Reported EPS	-3.7	-2.1	-1.8	-0.7	0.5	1.8
EPS before excepts and AAG	-2.8	-1.8	-1.2	-0.5	0.3	1.2
Fully adjusted EPS p	-2.2	-1.6	-1.1	-0.3	0.6	1.5
Dividend per share p	0.0	0.0	0.0	0.0	0.0	0.0
<b>Cash flow &amp; Balance sheet</b>						
Operating cash flow	-14.1	-14.1	-10.5	-2.2	7.4	18.2
Free Cash Flow	-14.9	-14.2	-11.9	-4.3	4.2	13.3
FCF per share p	-3.3	-2.1	-1.7	-0.6	0.6	1.9
Capex	-1.1	-7.0	-5.0	-5.0	-5.0	-5.0
Acquisitions	0.1	-0.5	-0.2	-0.1	0.0	0.0
Net cash flow	-14.8	-20.7	-15.6	-7.1	2.5	13.3
Shares issued	17.9	31.4	0.0	0.0	0.0	0.0
Net cash	13.2	23.6	8.0	0.9	3.5	16.8
<b>Metrics</b>						
	FY-10	FY-11	FY-12	FY-13	FY-14	FY-15
Revenue growth	126%	133%	101%	50%	41%	32%
Adj EBITDA growth	15%	12%	-37%	-91%	-1186%	122%
Adj EBIT growth	19%	10%	-31%	-72%	-284%	165%
Adj PBT growth	25%	9%	-31%	-60%	-168%	262%
Adj EPS growth	-9%	-28%	-33%	-60%	-168%	262%
Dividend growth	n/a	n/a	n/a	n/a	n/a	n/a
Adj EBIT margins	-237%	-112%	-38%	-7%	9%	19%
Operating cash conversion	107%	95%	113%	263%	83%	92%
Capex/Depreciation	99%	707%	337%	225%	150%	100%



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