

# Results Focus | Monitise plc

## Now generating significant transaction revenues

Monitise's full year results, which were well flagged at the recent fund raising, show strong transaction-led growth in revenues to £6m for the full year (£4.3m in the second half) and adjusted operating losses at £14.3m. The release provides more information on the progress of live US and UK operations towards break even. The company is now executing on the mobile money vision, whilst the £42m net cash on the balance sheet should help it maintain its early mover advantage as it invests in new ventures and in product R&D. We have maintained our forecasts, which were revised after the July fund raising. The shares have risen 32% since we initiated coverage in February 2010 and at 21.75p are close to our valuation of 23p, suggesting they are up with events, though the recent strengthening of the relationship with Visa shows Monitise's strong strategic value.

### Company basics

RIC	MONI
Share price £	0.2175
Market cap £m	150.7
Net cash £m	44.2
Enterprise value £m	106.4

### Estimates and valuation

Year end March	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-09	2.7	-11.6	-2.3	0	10.1	42.1	-13.8	-9.7	0%
FY-10	6.0	-14.3	-2.1	0	13.2	22.8	-14.5	-10.5	0%
FY-11	13.9	-12.3	-1.2	0	29.5	8.7	-14.8	-18.5	0%
FY-12	25.3	-7.6	-0.7	0	19.1	5.2	-26.9	-31.2	0%
FY-13	39.6	-0.6	0.0	0	15.5	3.4	-6003	4911	0%
FY-14	51.6	4.8	0.5	0	17.5	2.6	35.5	39.6	0%

Source: ISR, Company, Morningstar

Monitise has reported full year revenues to the end of June of £6m, up 125% on FY09, with pleasing strong growth in transaction revenues and between the first and second half, highlighting the impact of subscriber growth. Transaction revenues increased from £0.5m to £2.9m, with the underlying increase at £2m taking into account Monitise moving to 100% ownership of its UK JV, Monilink, early in the financial year. Second half revenues came in at £4.3m, versus £1.7m for the first half. Subscribers, at over 2m, are growing at 100,000 per month, with smartphone users now 28% of the base (up from 23% at the interims) and using the service an average of 16 times per month. The launch of a new Visa smartphone app for the US will help sustain growth in FY11, as will the launch of services in Hong Kong.

Headline operating losses widened from £13.7m to £17.1m, whilst losses net of share based payments and exceptional gains widened from £12m to £14.3m. The release for the first time breaks down revenues and costs into the various live operations, and into investment in technology, new ventures and corporate costs. The ground-breaking UK operation, which serves banks accounting for 55% of the market, recorded full year revenues and operating losses of £3.23m and £2.09m respectively, and is said to now be running at a £5m annual revenue run rate with breakeven targeted by December 2010. The US operation recorded revenues of £0.83m and was very close to breakeven for the year, whilst other live operations reported revenues of £0.76m and losses of £0.42m. Thus, live operations accounted for £2.5m of the adjusted £14.3m loss. The remaining loss was accounted for by: investment in future operations (£2.82m), R&D spending (£4.9m) and corporate costs (£4.05m).

Cashflow matched operating losses fairly closely, with an outflow of £14.7m, leaving period end net cash of £13.2m. This was subsequently bolstered by the July £31m raise from Visa and others, leaving Monitise with a very healthy balance sheet net cash of £42m.

### Monitise results summary

12 months to	Jun-09	Jun-10	Chg
Revenue £m	2.7	6.0	126.4%
Adj EBIT £m	-12.0	-14.3	-
Adj PBT £m	-11.0	-13.5	-
Adj EPS p	-2.3	-2.1	-
Net div p	0.00	0.00	-
FCF £m	-11.3	-14.9	-

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The headline revenue and operating losses were published at the July 2010 fund raising, so there were no great surprises in the release (and no reasons to change our forecasts, which we updated after the July release). However, the greater clarity in terms of revenues and operating losses shows the strong progress towards breakeven of the live operations on a standalone basis, with most of the losses coming from R&D spending, investment in future operations, and corporate costs, the first two of which at least are helping sustain Monitise's first mover status in mobile money.

The shares have risen 38% since we initiated coverage in February 2010 and at 21.75p are close to our valuation of 23p, suggesting they are up with events. However, Visa's recent increased interest points to Monitise's potentially significant underlying strategic value.

**Estimates & metrics**

<b>Financials</b>	<b>June-09</b>	<b>June-10</b>	<b>June-11</b>	<b>June-12</b>	<b>June-13</b>	<b>June-14</b>
	<b>Act</b>	<b>Act</b>	<b>Est</b>	<b>Est</b>	<b>Est</b>	<b>Est</b>
<b>Profit &amp; Loss</b>						
Revenue £m	2.7	6.0	13.9	25.3	39.6	51.6
Adj EBITDA £m	-11.4	-13.2	-11.4	-6.7	0.2	5.6
Adj EBIT (before SBP) £m	-11.6	-14.3	-12.3	-7.6	-0.6	4.8
Reported PBT	-13.1	-17.0	-13.9	-9.3	-2.6	2.6
PBT before excepts and AAG	-12.8	-17.3	-13.3	-8.7	-2.0	3.2
Fully adj PBT	-11.0	-13.5	-11.6	-6.9	0.0	5.4
NOPAT £m	-8.1	-9.5	-8.2	-4.9	0.0	3.7
Reported EPS	-4.0	-3.7	-2.0	-1.3	-0.4	0.4
EPS before excepts and AAG	-2.7	-2.7	-1.3	-0.9	-0.2	0.3
Fully adjusted EPS p	-2.3	-2.1	-1.2	-0.7	0.0	0.5
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	-11.4	-14.1	-11.8	-7.5	-0.7	4.9
Free Cash Flow	-11.3	-14.9	-12.6	-8.3	-1.5	4.1
FCF per share p	-3.4	-3.3	-1.8	-1.2	-0.2	0.6
Capex	-0.3	-1.1	-3.0	-3.0	-3.0	-3.0
Acquisitions	0.0	0.1	0.0	0.0	0.0	0.0
Net cash flow	-11.1	-14.8	-14.7	-10.4	-3.6	2.0
Shares issued	11.6	17.9	31.0	0.0	0.0	0.0
Net cash	10.1	13.2	29.5	19.1	15.5	17.5
<b>Metrics</b>						
	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>	<b>FY-14</b>
Revenue growth	78.2%	126.4%	131.7%	81%	57%	30%
Adj EBITDA growth	-7.7%	15.2%	-13.2%	-41%	-104%	2174%
Adj EBIT growth	-9.2%	19.3%	-13.9%	-38%	-92%	-855%
Adj PBT growth	-7.3%	22.5%	-13.7%	-41%	-73%	-202%
Adj EPS growth	-28.3%	-11.1%	-43.5%	-41%	-77%	-264%
Dividend growth	NA	NA	NA	NA	NA	NA
Adj EBIT margins	-436.9%	-225.0%	-83.9%	-28%	0%	10%
Operating cash conversion	99.7%	106.9%	102.9%	112%	-282%	87%
Capex/Depreciation	164%	294%	1071%	1071%	1071%	1071%
<b>Valuation</b>						
	<b>FY-09</b>	<b>FY-10</b>	<b>FY-11</b>	<b>FY-12</b>	<b>FY-13</b>	<b>FY-14</b>
EV/sales	42.1	22.8	8.7	5.2	3.4	2.6
EV/EBITDA	-9.8	-10.4	-10.6	-19.6	545.4	23.6
EV/NOPAT	-13.8	-14.5	-14.8	-26.9	-6003.1	35.5
PER	-9.7	-10.5	-18.5	-31.2	4910.8	39.6
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-6.6%	-6.6%	-12.0%	-18.2%	-100.4%	36.5%



### **About I S Research**

Megabyte is published by I S Research Ltd, an independent research consultancy focusing on the software & IT services sector in the UK. The company was formed in early 2007 by Ian Spence who has been involved in researching and raising money for companies in the UK technology sector for 15 years. Ian spent most of his career in broking with Robert W Baird where latterly he was Head of Technology Research. Ian was voted TechMARK analyst of the year in 2004 and, in November 2008, Ian received the award for the second time making him the only analyst to win twice and the only independent analyst to be recognised in this way. Ian was joined by Philip Carse in January 2010, who brings 20 years telecoms analytical and consulting experience, including as an equity research analyst in highly-rated teams at Citigroup, UBS and Commerzbank.

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