

Results Focus | Monitise plc

Monitise reports trebling of revenues

Monitise has reported typically upbeat interim results, with revenues trebling to £5.3m driven by increased user-generated revenues, live operations now at break even, and customer numbers reaching 3.5m. The company has also announced the launch of services in India with Standard Chartered, as well as a new heads of terms covering Indonesia. We have adjusted our forecasts for the increased level of JV activity, with higher costs in the short term but higher longer term revenues. The improved outlook results in an increased valuation to 29p per share (up from 24p), underpinned by the increasing strategic interest in mobile money from Google, Apple, mobile operators etc, with Monitise as well placed as any mobile money service provider.

Company basics

RIC	MONI
Share price £	0.245
Market cap £m	171.0
Net cash £m	33.7
Enterprise value £m	137.3

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-09 A	2.7	-11.6	-2.3	0	10.1	60.5	-19.2	-10.1	0%
FY-10 A	6.0	-14.3	-2.1	0	13.2	26.2	-15.8	-11.2	0%
FY-11 E	13.9	-15.0	-1.5	0	24.5	10.5	-13.9	-16.3	0%
FY-12 E	25.3	-10.4	-1.0	0	9.2	6.4	-22.3	-24.3	0%
FY-13 E	42.3	0.4	0.1	0	4.2	3.9	595.6	300.9	0%
FY-14 E	54.9	6.3	0.7	0	5.6	3.0	37.3	36.0	0%

Source: ISR, Company, Morningstar

- Monitise's half year revenues increased 207% to £5.3m, with user generated revenues (ie the fees paid by Monitise's banking and other financial clients) also trebling to £2.5m. This has been driven by strong growth in end-users, to 3.5m today compared with 3m announced in early January and 1.75m announced at last year's interims. Most of these end users are in the UK (where Monitise supports mobile banking for Lloyds, RBS, NatWest et al, covering 55% of UK bank accounts), and the company is also seeing strong growth in the US.
- Monitise's operating loss before share based payments and exceptionals came in at £7.9m, up from last year's £6.9m, whilst the company also spent £2.5m on capex and capitalised R&D. Following last July's £32.4m fundraising, the company ended 2010 with cash of £33.7m. This level of spend is being driven by continued development of the platform and the multiple (and increasing) product and geographic JVs being developed by the company. However, validation of the model comes from the fact that the UK operations reached cashflow breakeven towards the end of 2010, whilst all of Monitise's live operations (UK, US and Global (Visa, Travelex etc)) broke even for the period, ahead of schedule. In total, the £7.9m loss comprises: investment in technology (£3.3m), investment in future operations (£3.1m), corporate costs (£2.5m) and a £0.95m profit at the live operations.
- Following on from recent new JVs (particularly with Visa Europe and the retail JV with Best Buy), Monitise also announced today that it had signed heads of terms with a partner for Indonesia (the fourth most populous country in the world), whilst it has launched mobile banking services in India with shareholder Standard Chartered, with a further set of services due to be launched with Visa. With the Asian JV said to be progressing towards a mid-2011 Hong Kong launch and China in the sights, Monitise is now building a presence in the world's most populated countries, alongside the UK.

Monitise results summary

6 months to	Dec-10	Dec-09	Chg
Revenue £m	5.3	1.7	207%
Adj EBIT £m	-7.9	-6.9	-
Adj PBT £m	-7.7	-6.9	-
Adj EPS p	-0.8	-1.2	-
Net div p	0.00	0.00	-
FCF £m	-7.9	-6.0	-

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To reflect the increased JV activity, we have adjusted our forecasts, increasing the operating loss before share based payments in FY11 and FY12 from £12.3m and £7.5m to £15m and £10.4m respectively, whilst for FY13 and FY14 our revenue forecasts have increased by 7%, resulting in a 27% increase in EBITDA in FY14.

Mobile money has become considerably more high profile during the last 6 months, attracting interest from strategics such as Google and Apple, and involving increasing numbers of trials around technology (eg Near Field Communications) and business models. It is still unclear how all of the various technology and business angles will play out, but Monitise is as well positioned as anyone, given that its base of mobile money managed services covers an increasing array of services and industry verticals (banking, retail etc), with the company also trialling technologies such as NFC. It is also exploiting early mover advantages through establishing JVs with local, well connected partners, as well as global powerhouses such as Visa (Inc and Europe), in many of the major geographies. To reflect Monitise's evident progress and the improving strategic value of mobile money, we increase our valuation from 24p to 29p per share.

Estimates & metrics

Financials	June-09	June-10	June-11	June-12	June-13	June-14
	Act	Act	Est	Est	Est	Est
Profit & Loss						
Revenue £m	2.7	6.0	13.9	25.3	42.3	54.9
Adj EBITDA £m	-11.4	-13.2	-14.2	-9.5	1.2	7.2
Adj EBIT (before SBP) £m	-11.6	-14.3	-15.0	-10.4	0.4	6.3
Reported PBT	-13.1	-17.0	-16.6	-12.1	-1.5	4.2
PBT before excepts and AAG	-12.8	-17.3	-16.6	-12.1	-1.5	4.2
Fully adj PBT	-11.0	-13.5	-14.6	-10.0	0.8	6.7
NOPAT £m	-8.1	-9.5	-10.5	-7.3	0.3	4.4
Reported EPS	-4.0	-3.7	-2.4	-1.7	-0.2	0.6
EPS before excepts and AAG	-2.7	-2.7	-1.7	-1.2	-0.2	0.4
Fully adjusted EPS p	-2.3	-2.1	-1.5	-1.0	0.1	0.7
Dividend per share p	0.0	0.0	0.0	0.0	0.0	0.0
Cash flow & Balance sheet						
Operating cash flow	-11.4	-14.1	-14.9	-10.5	-0.3	6.1
Free Cash Flow	-11.3	-14.9	-15.2	-11.0	-0.7	5.7
FCF per share p	-3.4	-3.3	-2.2	-1.6	-0.1	0.8
Capex	-0.3	-1.1	-5.0	-5.0	-5.0	-5.0
Acquisitions	0.0	0.1	-0.5	-0.2	-0.1	0.0
Net cash flow	-11.1	-14.8	-19.8	-15.4	-5.0	1.4
Shares issued	11.6	17.9	31.1	0.0	0.0	0.0
Net cash	10.1	13.2	24.5	9.2	4.2	5.6
Metrics						
	FY-09	FY-10	FY-11	FY-12	FY-13	FY-14
Revenue growth	78.2%	126.4%	131.6%	81%	68%	30%
Adj EBITDA growth	-7.7%	15.2%	7.7%	-33%	-113%	482%
Adj EBIT growth	-9.2%	19.3%	5.1%	-31%	-104%	1483%
Adj PBT growth	-7.3%	22.5%	2.7%	-32%	-87%	-370%
Adj EPS growth	-28.3%	-11.1%	-31.6%	-33%	-87%	-370%
Dividend growth	NA	NA	NA	NA	NA	NA
Adj EBIT margins	-436.9%	-225.0%	-107.8%	-41%	1%	12%
Operating cash conversion	99.7%	106.9%	105.1%	110%	-21%	85%
Capex/Depreciation	164%	294%	604%	604%	604%	604%
Valuation						
	FY-09	FY-10	FY-11	FY-12	FY-13	FY-14
EV/sales	60.5	26.2	10.5	6.4	3.9	3.0
EV/EBITDA	-14.1	-12.0	-10.3	-17.0	135.4	23.1
EV/NOPAT	-19.2	-15.8	-13.9	-22.3	595.6	37.3
PER	-10.1	-11.2	-16.3	-24.3	300.9	36.0
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
FCF yield	-7.1%	-7.5%	-11.0%	-15.5%	-248.8%	30.0%



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