Results Focus | Monitise plc

Monitise order book up by 42% since July

Mobile money specialist Monitise has released very positive full year results, with revenues more than doubling to £14m, users reaching 4.5m, live operations now strongly profitable, and a further doubling of revenues expected for FY12. The order book has also increased by 42% to £78m since July, due mainly to the new RBS agreement. The company's shares have doubled to 35.75p since the start of the year, giving a £250m market value, but with the company increasingly becoming the mobile money technology and service provider of choice to major corporates such as RBS and Visa, plus its early market entry into major markets around the globe, Monitise is a must hold stock for anyone seeking exposure to the mobile money opportunity.

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	13.2	39.6	-23.8	-16.3	0%
FY-11 A	14.0	-15.7	-1.6	0	23.6	16.2	-20.7	-22.6	0%
FY-12 E	28.3	-10.8	-1.1	0	8.0	8.6	-32.1	-33.9	0%
FY-13 E	42.3	-3.0	-0.3	0	0.9	5.9	-117.4	-124.3	0%
FY-14 E	59.8	5.6	0.6	0	3.5	4.1	63.1	63.0	0%
FY-15 E	79.1	14.8	1.5	0	16.8	3.0	22.6	24.2	0%

Source: ISR, Company, Morningstar

- For the year to June 2011, Monitise grew revenues 133% to £14.0m, driven by strong growth in Deployment and Integration revenues (up 320% to £6m) and User generated revenues (up 123% to £6.4m), whilst licence fees were broadly stable at £1.7m. Operating losses, stripping out share-based payments and last year's exceptional gain, increased from £14.3m to £15.7m. Operating cash spend was unchanged at £14.1m, but an increase in capitalised R&D and capex resulted in net cash spend increasing from £14.8m to £20.7m. Including last July's £31m equity raise, the company ended the year with net cash of £23.6m.
- The large losses and cash burn reflect ongoing investment in new operations (e.g. Asia, Mobile Money Network, Africa, India) and R&D, with live operations (UK, US and Global) now nicely profitable, generating £3.2m of operating profits on £12.4m revenues (versus a £2.5m loss on £4.2m revenues last year). The UK, where Monitise supports RBS and Lloyds among others, generated profits of £1.4m on £7.2m of revenues, against a loss of £2.1m on £3.2m revenues last year. The overall company losses were therefore due to spending on future operations increasing 140% to £6.8m and on technology by 39% to £4.9m.
- The contracted order book currently stands at £78m, up from £55m in July and just £13m in June 2010. The major RBS five year strategic agreement recently announced almost certainly accounts for the bulk of the difference since July, and it does not take a maths genius to work out that this agreement is therefore worth at least £20m to Monitise. Secondly, the release refers to FY12 contracted revenues of £14m plus at least £9m of revenues from contracted customers, presumably for development work and activities not covered in the main agreements, suggesting that the likely forward revenue base from major contracted customers such as RBS, Visa Inc and Visa Europe is considerably higher than £78m.

Company basics

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Share price £	0.36
Market cap £m	251.4
Net cash £m	23.6
Enterprise value £m	227.7

Monitise results summary

12m to	Jun-10	Jun-11	*Chg*
Revenue £m	6.0	14.0	*133%*
Adj EBIT £m	-14.3	-15.7	-
Adj PBT £m	-14.2	-15.5	-
Adj EPS p	-2.2	-1.6	-
Net div p	0.00	0.00	-
FCF £m	-14.9	-14.2	-

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I S Research Ltd is registered in England and Wales number 6177639.

Having upgraded our forecasts as recently as 15th July (please see our detailed report from that date), we have merely tweaked our forecasts for the full year results. We anticipate strong revenue growth, increasingly under-pinned by the growth in contracted revenues, and break even in calendar year 2013.

Overall, these results confirm Monitise's very strong position in mobile money, with revenues more than doubling, and expected to do the same this year, driven particularly by major customers investing in new products and services plus growth in user-generated fees from active services. The company's shares have doubled to 35.75p since the start of the year, giving a heady £250m market value, but with the company increasingly becoming the mobile money technology and service provider of choice to major corporates such as RBS and Visa, plus its early market entry into major markets around the globe, Monitise is a must hold stock for anyone seeking exposure to the mobile money opportunity.

Estimates & metrics

Financials	June-10 Act	June-11 Act	June-12 Est	June-13 Est	June-14 Est	June-15 Est
Profit & Loss						
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
Cash flow & Balance sheet						
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

Metrics	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%

Valuation	FY-10	FY-11	FY-12	FY-13	FY-14	FY-15
EV/sales	39.6	16.2	8.6	5.9	4.1	3.0
EV/EBITDA	-18.1	-15.4	-26.1	-304.0	27.7	11.8
EV/NOPAT	-23.8	-20.7	-32.1	-117.4	63.1	22.6
PER	-16.3	-22.6	-33.9	-124.3	63.0	24.2
Dividend yield	0%	0%	0%	0%	0%	0%
FCF yield	-9%	-6%	-5%	-2%	2%	5%

About I S Research

Megabuyte 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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