Monitise: The Future of Banking Has Arrived

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Schulte-Research

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I. Who Its Clients Are, What It Does and Where It Is Going?

The future of banking. This video shows the business plan.

http://www.monitise.com/media/embedded_player?id=2643683013001
Banking, Payments, Commerce anywhere

• 24 million users
• $50 bn in payments

System users are:

RBS, VISA, Fifth Third Bank, FIS, HSBC, Lloyds TSB, Sallie Mae, UMB, Webster
GOALS: 1) Reduce Complexity and Costs; 2) Connect More People and Businesses; 3) Generate New Revenues

Sources: Annual Report
What is its use?

**The Social Network becomes Platform for Secure Payments, Transfers, Purchases**

- NFC Payments
- P2P Payments and Integrated Banking
- Mobile shopping
- 1st mobile banking device (BBM Money) in Indonesia; dominant hold in Hong Kong.
- India, Africa next.
- VISA: By 2020, ~50% of all credit card activity will be made through mobile.
II. Financial Overview and P&L Analysis

Corporate Overview:

Lower losses in 2014; improving on all fronts. FY consensus for June 2014 show losses reducing by half to £23m.

**Name:** Monetise PLC  
**Exchange:** LSE AIM  
**Ticker:** MONI LN  
**Share Price as of Nov.2, 2013:** £55

**FY2013 Revenues:** £72.8m  
**FY2013 EBITDA:** (£19.3m)  
**FY2013 Net Income:** (£51.30m)  
**FY2013 Diluted EPS:** (£3.80p)

**52-Week Range:** £29.43 – £63.50  
**Market Cap:** £849m  
**Debt:** £1.8m  
**Cash:** £86.7m

*2013 Fiscal Year ends on Jun ‘13*
Fiscal 2013 Highlights

• **Revenue of £72.8m** for fiscal 2013, up 101% yoy from £36.09m.

• **Loss for the fiscal year was £51.3m** or (3.80p) diluted EPS compared to a loss of £16.39m million and (2.10p) diluted EPS in the previous year.

• **Revenue from UK & Europe region increased to £51.3m** from £51.3m in 2012. Indian markets brought in almost the same revenues as 2012. Monetise saw a large revenue increase of 200% from the U.S. and Rest of World segments.

• **FY 2014 expected to improve losses of £13 m.** £ 86.7 in cash on hand.
P&L Overview: Great margins; growth above 100%;
High SG&A w/ staff going from 320 to 560, up 75%. ~GBP 90K/employee.

<table>
<thead>
<tr>
<th>Monitise PLC (Moni Ln) in GBp (M)</th>
<th>FY07</th>
<th>FY08</th>
<th>FY09</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
<td>0.47</td>
<td>1.49</td>
<td>2.66</td>
<td>6.02</td>
<td>15.28</td>
<td>36.09</td>
<td>72.80</td>
</tr>
<tr>
<td><strong>COGS</strong></td>
<td>0.33</td>
<td>0.63</td>
<td>1.17</td>
<td>2.21</td>
<td>5.88</td>
<td>12.13</td>
<td>17.59</td>
</tr>
<tr>
<td><strong>Gross Profit</strong></td>
<td>0.14</td>
<td>0.86</td>
<td>1.49</td>
<td>3.81</td>
<td>9.40</td>
<td>23.96</td>
<td>55.21</td>
</tr>
<tr>
<td><strong>COGS as % of Sales</strong></td>
<td>70%</td>
<td>42%</td>
<td>44%</td>
<td>37%</td>
<td>38%</td>
<td>34%</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Gross Margin</strong></td>
<td>30%</td>
<td>58%</td>
<td>56%</td>
<td>63%</td>
<td>62%</td>
<td>66%</td>
<td>76%</td>
</tr>
<tr>
<td><strong>Operating Expense</strong></td>
<td>8.24</td>
<td>15.76</td>
<td>15.25</td>
<td>21.71</td>
<td>23.93</td>
<td>40.47</td>
<td>96.63</td>
</tr>
<tr>
<td><strong>Operating Expense as % of Sales</strong></td>
<td>1753%</td>
<td>1058%</td>
<td>573%</td>
<td>361%</td>
<td>157%</td>
<td>112%</td>
<td>133%</td>
</tr>
</tbody>
</table>

sources: Company Data

The Global Leader in Mobile Money & Banking Solutions
History of revenues: Moving to Profitability Soon…

Sources: Company Data

Sources: Company Data
Analytics: ... and everything points to improving profitability

Profitability:
- Return on Common Equity
- Return on Assets

Margins:
- Gross Margin
- Operating Margin

Leverage:
- Total Debt/Equity
- Total Debt/Capital
- Total Debt/Assets

Sources: Company Data
Management Comments: ...with aggressive moves into Hong Kong, Indonesia, India, Africa.

“With a year of robust revenue growth, rising gross margin and closing with a strong balance sheet, our 2013 performance reinforces our leadership position as a proven and trusted technology and services enabler at the heart of the Mobile Money ecosystem.

We are excited about our prospects to benefit from the acceleration in Mobile Money globally as more companies look to embed mobile into their corporate strategies.”

Alasitair Lukies, CEO

“Processed payments and transfers now worth more than $50bn on an annualised basis, 150% higher than the $20bn a year ago.

These results underscore the success of the Group’s strategic focus to create a significant and scalable growing ecosystem of partners and clients, leveraging Monitise’s bank-grade platform technology around the world.”

Duncan McIntyre, Chairman
III. Overview of Acquisitions & Partnerships: ...

Jetco

In Hong Kong is next big partnership. Also Astra Graphia

- 2004: HSBC First Direct
- 2005: Metavante
- 2006: Visa Global Alliance
- 2008: PCCW-JETCO, Astra Group, RBS, Visa Europe
- 2010: Monitise Americas Inc. (formerly known as Clairmail Inc. (£98m))
- 2011: Mobile Money Network (£16.8m)
- 2012: eMerit Solutions (£1.9m)
- 2013: HSBC Fast balance, Movida JV with Visa Inc.
- 2011: HSBC First Direct
- 2012: Telefonica Digital, Visa Europe, Lloyds banking group
- 2013: Grapple Mobile Ltd.

Sources: Company Data
Competitors: This is the X factor: Firms can implode overnight. Monitise is well-funded & has great partners.
IV. Altman Z-score Analysis

Despite losses, is this business becoming sustainable? YES on all fronts!

A = Working Capital/Total Assets

LIQUIDITY

B = Retained Earnings/Total Assets

PROFITS

D = Market Value of Equity/Total Liabilities

MARKET EXPECTATION

C = Earnings Before Interest & Tax/Total Assets

OPERATING EFFICIENCY

E = Sales/Total Assets

ASSET TURNOVER
A - Liquidity

Measures liquid assets in relation to the size of the company: **Definite improvement**

LIQUIDITY = Working Capital/Assets

Sources: Company Data, Schulte Research Estimates
B - Profitability

Measures profitability, reflects the company's earning power: Continued improvement

PROFITABILITY = Retained Earnings/Assets

Sources: Company Data, Schulte Research Estimates
C - Operating Efficiency

Measures operating efficiency apart from tax and leveraging factors: Improvement

Operating Efficiency = \( \frac{EBIT}{Assets} \)

Sources: Company Data, Schulte Research Estimates
D – Capital Structure

Measures liquid assets in relation to the size of the company: **Maturing Balance sheet**

Sources: Company Data, Schulte Research Estimates
E – Asset Turnover

Standard measure for total asset turnover: **Improvement**

Sources: Company Data, Schulte Research Estimates
Impact of Market Capitalization: Market Cap accounts for a high percentage of overall health.

Relationship between market capitalization and the overall Altman Z-score
Future

The major factors that could influence the growth and profitability of Monitise in the long run would be:

• Adoption of mobile phone banking & payment services in emerging markets, especially SE Asia, India and Africa.

• Cooperative atmosphere for Monitise to implement its growth plan

• Benefits of the joint ventures, alliances & partnerships, especially in Hong Kong.

• Strategy for future acquisitions & subsequent integration into business model.

• Monitise is arguably in the lead globally on this new chapter in phone banking.
## V. Best tech companies in the UK

<table>
<thead>
<tr>
<th>Final Ranking</th>
<th>Company</th>
<th>Sector</th>
<th>Region</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td><strong>Infectious Media</strong></td>
<td>Media and entertainment</td>
<td>London</td>
<td>9774%</td>
</tr>
<tr>
<td>2</td>
<td><strong>Avecto</strong></td>
<td>Software</td>
<td>North</td>
<td>4731%</td>
</tr>
<tr>
<td>3</td>
<td><strong>AlertMe</strong></td>
<td>Internet</td>
<td>Cambridgeshire and East</td>
<td>3393%</td>
</tr>
<tr>
<td>4</td>
<td><strong>Mobile Account Solutions Ltd</strong></td>
<td>Telecommunications</td>
<td>South East</td>
<td>3332%</td>
</tr>
<tr>
<td>5</td>
<td><strong>Lovestruck.com</strong></td>
<td>Internet</td>
<td>London</td>
<td>2658%</td>
</tr>
<tr>
<td>6</td>
<td><strong>Monitise Plc</strong></td>
<td>Software</td>
<td>London</td>
<td>2319%</td>
</tr>
<tr>
<td>7</td>
<td><strong>Sixteen South</strong></td>
<td>Media and entertainment</td>
<td>Northern Ireland</td>
<td>2214%</td>
</tr>
<tr>
<td>8</td>
<td><strong>FreeAgent</strong></td>
<td>Software</td>
<td>Scotland</td>
<td>2128%</td>
</tr>
<tr>
<td>9</td>
<td><strong>Equal Experts UK Ltd</strong></td>
<td>Software</td>
<td>London</td>
<td>2035%</td>
</tr>
<tr>
<td>10</td>
<td><strong>Backbone Connect</strong></td>
<td>Telecommunications</td>
<td>London</td>
<td>1810%</td>
</tr>
<tr>
<td>11</td>
<td><strong>Evance Wind Turbines</strong></td>
<td>GreenTech</td>
<td>Midlands</td>
<td>1627%</td>
</tr>
<tr>
<td>12</td>
<td><strong>notonthehighstreet.com</strong></td>
<td>Internet</td>
<td>London</td>
<td>1536%</td>
</tr>
<tr>
<td>13</td>
<td><strong>Simplify Digital Ltd</strong></td>
<td>Software</td>
<td>London</td>
<td>1443%</td>
</tr>
<tr>
<td>14</td>
<td><strong>The Test People</strong></td>
<td>Software</td>
<td>North</td>
<td>1356%</td>
</tr>
<tr>
<td>15</td>
<td><strong>Intelligent Energy</strong></td>
<td>GreenTech</td>
<td>Midlands</td>
<td>1333%</td>
</tr>
<tr>
<td>16</td>
<td><strong>Infracast</strong></td>
<td>Telecommunications</td>
<td>South East</td>
<td>1325%</td>
</tr>
<tr>
<td>17</td>
<td><strong>Virtual1 Ltd</strong></td>
<td>Telecommunications</td>
<td>London</td>
<td>1250%</td>
</tr>
<tr>
<td>18</td>
<td><strong>Click Travel</strong></td>
<td>Software</td>
<td>Midlands</td>
<td>1181%</td>
</tr>
<tr>
<td>19</td>
<td><strong>Silixa Ltd</strong></td>
<td>Electronics</td>
<td>London</td>
<td>1118%</td>
</tr>
<tr>
<td>20</td>
<td><strong>The Magnetise Group</strong></td>
<td>Internet</td>
<td>London</td>
<td>1102%</td>
</tr>
<tr>
<td>21</td>
<td><strong>RandomStorm</strong></td>
<td>Internet</td>
<td>North</td>
<td>1062%</td>
</tr>
<tr>
<td>22</td>
<td><strong>Skyscanner</strong></td>
<td>Internet</td>
<td>Scotland</td>
<td>1033%</td>
</tr>
<tr>
<td>23</td>
<td><strong>Horizon Discovery Ltd</strong></td>
<td>Biotechnology</td>
<td>Cambridgeshire and East</td>
<td>1027%</td>
</tr>
<tr>
<td>24</td>
<td><strong>Bowman Power</strong></td>
<td>GreenTech</td>
<td>South East</td>
<td>1022%</td>
</tr>
<tr>
<td>25</td>
<td><strong>White.net</strong></td>
<td>Internet</td>
<td>South East</td>
<td>991%</td>
</tr>
</tbody>
</table>

*Source: Deloitte*
## Best tech companies in the UK (Cont’d)

<table>
<thead>
<tr>
<th>Final Ranking</th>
<th>Company</th>
<th>Sector</th>
<th>Region</th>
<th>Growth rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>26</td>
<td>Textlocal</td>
<td>Telecommunications</td>
<td>North</td>
<td>980%</td>
</tr>
<tr>
<td>27</td>
<td>JUST EAT</td>
<td>Internet</td>
<td>London</td>
<td>976%</td>
</tr>
<tr>
<td>28</td>
<td>Maxymiser</td>
<td>Software</td>
<td>London</td>
<td>937%</td>
</tr>
<tr>
<td>29</td>
<td>sales-i</td>
<td>Software</td>
<td>Midlands</td>
<td>916%</td>
</tr>
<tr>
<td>30</td>
<td>Vegware</td>
<td>GreenTech</td>
<td>Scotland</td>
<td>901%</td>
</tr>
<tr>
<td>31</td>
<td>Supermassive Games</td>
<td>Software</td>
<td>South East</td>
<td>787%</td>
</tr>
<tr>
<td>32</td>
<td>Ayima Search Marketing</td>
<td>Internet</td>
<td>London</td>
<td>781%</td>
</tr>
<tr>
<td>33</td>
<td>CommAgility Ltd</td>
<td>Telecommunications</td>
<td>Midlands</td>
<td>766%</td>
</tr>
<tr>
<td>34</td>
<td>Academia Ltd</td>
<td>Software</td>
<td>London</td>
<td>711%</td>
</tr>
<tr>
<td>35</td>
<td>Brandwatch</td>
<td>Software</td>
<td>South East</td>
<td>703%</td>
</tr>
<tr>
<td>36</td>
<td>The Nostrum Group</td>
<td>Software</td>
<td>North</td>
<td>623%</td>
</tr>
<tr>
<td>37</td>
<td>P2i</td>
<td>Electronics</td>
<td>South East</td>
<td>611%</td>
</tr>
<tr>
<td>38</td>
<td>BCS Global Networks</td>
<td>Telecommunications</td>
<td>London</td>
<td>595%</td>
</tr>
<tr>
<td>39</td>
<td>Peach Telecom</td>
<td>Telecommunications</td>
<td>South East</td>
<td>571%</td>
</tr>
<tr>
<td>40</td>
<td>Global Personals Ltd</td>
<td>Internet</td>
<td>South East</td>
<td>570.64%</td>
</tr>
<tr>
<td>41</td>
<td>Forbidden Technologies Plc</td>
<td>Software</td>
<td>London</td>
<td>570.56%</td>
</tr>
<tr>
<td>42</td>
<td>HighQ</td>
<td>Software</td>
<td>London</td>
<td>570%</td>
</tr>
<tr>
<td>43</td>
<td>Oriium Consulting Ltd</td>
<td>Telecommunications</td>
<td>North</td>
<td>540%</td>
</tr>
<tr>
<td>44</td>
<td>4D Data Centres</td>
<td>Telecommunications</td>
<td>South East</td>
<td>529%</td>
</tr>
<tr>
<td>45</td>
<td>Mimecast</td>
<td>Internet</td>
<td>London</td>
<td>526%</td>
</tr>
<tr>
<td>46</td>
<td>MPB Photographic</td>
<td>Internet</td>
<td>South East</td>
<td>509%</td>
</tr>
<tr>
<td>47</td>
<td>M Squared Lasers Ltd</td>
<td>Electronics</td>
<td>Scotland</td>
<td>498%</td>
</tr>
<tr>
<td>48</td>
<td>Miroma International</td>
<td>Media and entertainment</td>
<td>London</td>
<td>496%</td>
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<tr>
<td>49</td>
<td>Orca Digital</td>
<td>Telecommunications</td>
<td>London</td>
<td>494%</td>
</tr>
<tr>
<td>50</td>
<td>FISCAL Technologies Ltd</td>
<td>Software</td>
<td>South East</td>
<td></td>
</tr>
</tbody>
</table>

Source: Deloitte
Special thanks to Karthik Reddy in the preparation of this report.
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