

16 February 2010

## Monitise

Year End	Revenue (£m)	PBT* (£m)	EPS* (p)	DPS (p)	P/E (x)	Yield (%)
06/08	1.5	(11.9)	(4.7)	0.0	N/A	N/A
06/09	2.7	(11.4)	(3.4)	0.0	N/A	N/A
06/10e	6.5	(12.8)	(2.8)	0.0	N/A	N/A
06/11e	12.9	(10.4)	(2.0)	0.0	N/A	N/A

Note: \*PBT and EPS are normalised, excluding amortisation of acquired intangibles, share-based payments and exceptional items.

### Investment summary: Consumer adoption

For H110, Monitise reported 57% y-o-y revenue growth, with the decision to buy 50% of Monilink driving higher-than-expected operating and net loss. Registered customer growth is accelerating and mobile apps are driving users to higher value services. Monitise is making good progress with recently announced JVs, and the recent/imminent share issues provide the company with capital to support plans to build out the Mobile Money Manager network beyond the UK.

### Transaction revenues accelerating

The long-term growth of Monitise depends on consumers signing up to and using the service. Transaction-related revenues increased to 47% of total, up from 19% in H209. Registered customer numbers are growing fast (from 0.5m to 1.75m in eight months) and the introduction of increased functionality such as mobile purchasing should accelerate this process while increasing ARPU.

### H110 results affected by Monilink acquisition

Buying out the remaining 50% stake in Monilink drove opex £0.9m higher than forecast. In the longer term, this will be outweighed by the recognition of 100% of revenues in the UK – a market that is rapidly adopting mobile banking.

### Steady progress with joint ventures

Monitise continues to work on finalising the Asia Pacific and Carphone Warehouse joint ventures announced in December. We expect that Visa and Travelex will soon be launching Monitise-based services.

### Valuation: DCF value of 25p

As a loss-making early stage company, multiples-based valuation is not suitable. We attempt to value the company using a DCF with a conservative WACC of 15% resulting in a valuation of 25p per share. This valuation is highly sensitive to changes in assumptions, but does highlight the potential value of the successful expansion of the Monitise platform.

Price 17.5p  
Market Cap £83m

#### Share price graph



#### Share details

Code MONI  
Listing AIM  
Sector Mobile Telecommunications  
Shares in issue 471.4m

#### Price

52 week High 19.25p Low 2.95p

#### Balance Sheet as at 30 June 2009

Debt/Equity (%) N/A  
NAV per share (p) 2.8  
Net cash (£m) 6.7

#### Business

Monitise provides a mass market technology platform that enables banks, card schemes and other financial providers to offer mobile banking and payment services.

#### Valuation

	2009	2010e	2011e
P/E relative	N/A	N/A	N/A
P/CF	N/A	N/A	N/A
EV/Sales	19.2	10.1	7.0
ROE	N/A	N/A	N/A

#### Revenues by geography

UK Europe/Other US  
54% 23% 23%

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## Investment summary: Moving to consumer adoption

### Company description: At the heart of mobile payments ecosystem

Monitise has designed a mass market technology platform that facilitates secure services enabling consumers to manage bank accounts, cards and payments directly from their mobile phones. Working in partnership with financial institutions and mobile network operators (MNOs), Monitise has created a multi-issuer/multi-operator ecosystem with value-added services for consumers and a revenue share business model for partners.

### Valuation: DCF value of 25p

Monitise is still too immature and the losses too high to ascribe any multiple-based valuation metrics to the business. Therefore, we use a DCF approach to reach a group value of 25p. Clearly, this analysis is highly sensitive to changes in assumptions, although we have attempted to capture some of the risks to forecasts by using a discount rate of 15%. We believe milestones that investors should monitor over the next six months should include subscriber growth (we estimate at least 2.3m by end June 2010), new overseas partnerships, expansion of the network beyond retail banks and the ARPU as consumer take-up accelerates (ie evidence that consumers/banks are 'willing to pay' for the service).

### Sensitivities: Early-stage company

There are inherent risks associated with investment in any early-stage development company where technology, pricing and competition are highly variable. These risks, however, create opportunity. Specific factors that could influence Monitise's growth and profitability include the rate of take-up of mobile phone services, dependence on key personnel, the ability to implement its growth strategy, intellectual property rights and the competitive outlook.

### Financials

H110 saw strong growth in registered customers, which in turn drove strong transaction-related revenues. It is these revenues that will be the long-term growth drivers for Monitise, and the successful adoption of the service in the UK bodes well for expansion into other geographies. The company expects to reach cash break-even on a monthly basis in the UK by year-end. The acquisition of the remaining 50% stake in Monilink impacted opex and net loss by £0.9m in H1 and is the main contributor to our revised forecasts in Exhibit 1.

#### Exhibit 1: Summary of changes to forecasts

Note: Figures in £m except per share data.

	EPS			PBT			EBITDA		
	Old	New	% chg.	Old	New	% chg.	Old	New	% chg.
2010e	(2.5)	(2.8)	N/A	(11.0)	(12.8)	N/A	(10.8)	(12.8)	N/A
2011e	(1.5)	(2.0)	N/A	(7.8)	(10.4)	N/A	(7.4)	(10.3)	N/A

Source: Edison Investment Research

## Review of first-half results

Monitise reported revenues of £1.7m, up 57% y-o-y. The company reported that the revenue run rate at the start of 2010 had reached at £5m annualised and continues to grow rapidly. Exhibit 2 below shows the progression of Monitise's revenue over the last six half-year reporting periods. It is clear that transaction-related revenues are making up an increasing proportion of sales, accelerating in line with the growth in registered customers. Registered customers stood at 1.5m by 31 December 2009 (up from 1.3m at 17 December), and are signing up at a rate of 150k per month; as at 16 February, registered customers had reached 1.75m.

**Exhibit 2: Revenue breakdown, H207-H110 (£m)**

	H207	H108	H208	H109	H209	H110
Deployment/integration	0.1	0.2	0.8	0.7	0.4	0.4
License fees/royalties	0	0.2	0.2	0.2	0.9	0.5
JVs: per user/transaction fees	0	0	0.1	0.2	0.3	0.8
<b>Total Revenues</b>	<b>0.1</b>	<b>0.4</b>	<b>1.1</b>	<b>1.1</b>	<b>1.6</b>	<b>1.7</b>
As a % of total revenues						
Deployment/integration	100%	50%	73%	64%	25%	24%
License fees/royalties	0%	50%	18%	18%	56%	29%
JVs: per user/transaction fees	0%	0%	9%	18%	19%	47%

Source: Monitise

The company forecasts that the UK business will reach cash break-even on a monthly basis this year. We estimate that penetration of UK banks has yet to reach 5% of current accounts, which implies this business will be highly profitable if it is able to achieve penetration on a par with internet banking, ie 20% or more.

First-half operating loss increased to £6.9m (excluding exceptionals and share-based payments), with £0.9m of the loss attributable to Monitise taking full ownership of Monilink from August 2009.

### Changes to estimates

We have reduced our H210 revenue forecast from £6.0m to £4.8m, resulting in FY10 revenues falling from £7.7m to £6.5m. While the uptake of services is accelerating in line with our expectations, license and integration revenues from the new partnerships will take slightly longer to come through than we anticipated.

We have increased our opex assumptions for the full year to take into account the 100% ownership of Monilink. Adjusted operating loss for FY10 increases from £11.1m to £12.9m and for FY11 from £7.8m to £10.4m.

Although we have increased our forecast losses over the next two years, this is not a reflection of our confidence in the build out of the Monitise network globally, but rather a revision of the cost of doing this.

## Partnership update

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Monitise goes to market via a joint venture model or via partnership agreements. Investment is focused on creating and driving Monitise's software and platform both in the UK and overseas. Monitise is already firmly established in the UK, having signed up seven retail banks covering c 55% of current accounts.

We describe below Monitise's current and potential joint ventures and partners:

### Live operations

#### **Monilink**

In the UK, Monitise created Monilink, a 50/50 JV with VocaLink, the operator of the UK ATM switch and BACS networks. In August 2009, Monitise bought out VocaLink's stake in the JV for an initial £1.5m cash payment and a further performance-based deferred payment of £1.5m. All revenues generated in the UK are therefore now recognised fully by Monitise, as are all associated costs. The company will report a £1m gain related to its acquisition of VocaLink's stake.

#### **Monitise Americas**

In the US, Monitise has a 49/51 JV with Metavante. In October 2009, Metavante was acquired by FIS (Fidelity Information Services), a leading US payment processor; the joint venture continues to operate as planned within this new structure. Monitise Americas has signed up over 230 financial institutions in the US.

#### **Visa Inc**

We expect the group to continue to build out partnerships with leaders in the electronic payments space in a similar way to the recent Visa deal. The Visa contract is worth at least US\$13m over five years through a combination of development of services for Visa, licensing fees and most importantly, transaction fees from Visa's wide customer base. Visa and Monitise will launch the first service shortly.

### Investment areas

#### **UK JV with The Carphone Warehouse**

Monitise recently announced Heads of Terms for a joint venture agreement with The Carphone Warehouse Group (CPW), whereby CPW will promote the Monitise "Mobile Money Network" service to its UK, and ultimately European and US, customers. CPW agreed to subscribe £2.5m for 16.67m Monitise shares on completion of the JV.

#### **Asia-Pacific JV with First Eastern (Holdings) Limited**

Monitise recently announced Heads of Terms for a joint venture agreement with First Eastern (Holdings) Limited (FE), based in Hong Kong. FE will work with Monitise to deploy mobile banking and payments services in Hong Kong, China and other regions in Asia Pacific. FE agreed to subscribe up to £10m for 74.36m Monitise shares in several stages (the first stage is already

complete), and as long as its shareholding remains above 10%, is entitled to appoint a director to the board.

#### Other international partnerships

The company continues to make progress in India, working alongside potential partners. In Africa, Monitise is working with Paynet and has a grant from Africa Enterprise Challenge Fund to develop services. The company continues to develop opportunities with Standard Chartered (already a shareholder) in several countries.

## Revenues transitioning from implementation to usage

Monitise derives revenues from essentially three sources (summarised in Exhibit 3). Monitise typically has a 50% stake in joint ventures.

#### Exhibit 3: Summary of revenue streams

Revenue stream	Deployment	Licence	Transactional
Description	Deployment and integration of the service for customers	Software licence for use of the service	Revenue share from consumer usage of the service
Typical current customers	UK and US banks and financial institutions	JV partners	Retail banking customers
Revenue model	Time and materials	Annual licence payment	Per user per month royalties & transaction fees shared with telecoms companies
Revenue recognition	50% from JVs 100% from direct third parties	50% from JVs 100% from direct 3rd parties	50% from JVs 100% from direct third parties
Typical gross margins	40%	100%	50%+

Source: Monitise and Edison Investment Research

### Deployment revenue

Monitise initially charges partners to integrate its technology into their IT systems. In FY09, deployment revenue made up over 40% of Monitise's top line but this percentage is declining as other income streams scale and the group potentially builds out an implementation partner channel. Typically Monitise will provide services to the JV partner or through the JV to end customers (in both cases recognising 50% of the revenue). In addition, we expect the group to grow direct third-party implementation revenues as evidenced by the recent Visa deal (where the group will recognise 100% of revenues).

### Licence income

Monitise charges an annually recurring licence fee to license its technology into regions or to major global payment players. For example, the US joint venture pays an annual usage licence fee of \$1.5m.

### Transaction-related fees

#### Monthly fees

The local Monitise subsidiary or JV charges banking customers a monthly fee for each consumer signed up to the network. As Monitise's strategy is based on the gradual introduction of additional functionality, it has designed, and banks are offering, two key service levels to consumers. The 'essentials' package is aimed at entry-level customers, with a simple registration process and straightforward text-based services. The 'advanced' package is targeted as an upgrade for 'essentials' customers and is directed at active and sophisticated users who are seeking more

interactive services. The advanced package is obtained by downloading a mobile app (an app for the iPhone is available and an Android app has been announced). The company notes that the iPhone app has been one key driver of customer and ARPU growth in H1 10. There is a range of pricing structures across banking partners; however, we estimate that the banks pay the Monitise entity c 15-25p per month for essentials customers and c 50-60p for advanced customers. The Monitise entity shares these monthly revenues with the switch operators and mobile network operators that support the service. Of the total fees paid by consumers to the Monitise entity, we estimate the Monitise entity will earn at least a 50% gross margin. Monitise recognises 50% of the revenues and profits from JVs.

#### **Transaction fees**

In the event that consumers use the service to buy goods or services, eg top-up mobile phone credits, the Monitise entity receives commission from the merchant and shares this with the bank. The bulk of transaction-related revenues are currently generated in the UK, but we expect this to change as Monitise builds out its networks in other geographies.

## **Growth outlook: Geographical and service expansion**

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### **Geographical expansion**

In the short term, revenue growth will come from the roll-out of services to consumers in the established UK and US markets, supported by the recent deal with Visa. In the medium term, growth will be driven by the roll-out of joint ventures internationally, with the initial impact of licence and integration income followed by longer-term upside from consumer transaction-related payments. Monitise's challenge is to expand into other geographies and develop relationships with financial institutions, switch operators and card schemes before other companies can – having successfully constructed a network in the UK, Monitise has a good track record that should help when negotiating with overseas partners.

In some cases, banks have already set up a mobile banking service in-house. While on the face of it, this would appear to create a barrier to entry for Monitise, many banks find that ensuring interoperability with every network operator and the ever-changing number of handset models is time consuming and costly. By moving to the Monitise network, a bank is able to outsource all of the technical requirements, while at the same time benefiting from the expanding number of merchant partners joining the network.

When the FE JV agreement is finalised, the JV will be able to start exploring options in the Asia Pacific market. As this JV will cover such a large region, it may choose to license the Monitise platform in some countries to enable it to concentrate resources on the larger potential markets, such as China.

In emerging markets, many banks and other service providers are targeting the mobile phone channel as the most effective route to servicing consumers, as fixed internet infrastructure and access in developing countries is still limited and, where available, is often slow and/or expensive. A recent United Nations report calculated that two-thirds of global cell phone subscriptions are in developing nations, with the highest growth rate in Africa. While just one in 50 Africans had a

mobile in 2000, now 28% have a cellular subscription, according to the International Telecommunications Union (ITU).

Another potential driver for mobile banking systems in developing countries is the high number of 'unbanked' customers, ie people who are unable to open a bank account. In this case, the mobile phone can act as a wallet, carrying credit that can be used to make purchases.

## **Service expansion**

### **The growth of mobile banking**

Mobile banking is becoming the fifth channel to market for retail banks after branches, ATMs, call centres and internet banking. The basic premise is that mobile phones are cheaper than PCs, there are three times as many of them, take-up of mobile phones is growing at twice the speed of PCs, and more people have mobile phones than have internet access.

From the bank's point of view, mobile banking is a cheaper way to service customers than call centres, with the added benefit of opening up new revenue and service opportunities.

From the customer perspective, mobile banking offers a convenient way to manage finances. In particular, it offers the ability to alert the customer to unusual transactions or the imminent breach of account limits, and gives the customer the ability to take action immediately via the phone to make the necessary transfers to avoid a breach.

Monitise estimates the global mobile banking market could exceed £5bn in five years and surpass internet banking, which currently has a 20-25% penetration across Tier One banks in the UK.

Monitise's technology works with 85% of handsets and close to 100% of new handsets in the UK.

### **Expanding the network to include mobile payments**

The Monitise network in the UK primarily consists of the switch operator, the majority of retail banks, and the mobile network operators. This has created a mobile payment ecosystem that we believe will be the core of a wider network comprising merchants such as retailers and ticketing vendors. The development of a retail-led proposition with The Carphone Warehouse is an example of how Monitise is growing the network.

There are multiple directions in which the mobile commerce market is likely to develop and we believe that the Monitise platform is well placed to enable, and therefore benefit from, many of these transactions. Examples include:

- Text services – customer uses mobile phone to pay bills or purchase products and services.
- Mobile apps – increasing uptake is being fuelled by smartphones.
- Mobile internet – customer uses smartphone to access the internet and shop in the same way as they would using a PC.
- Contactless technology – a number of players in the UK and US are trialling 'contactless' payment cards. If these prove successful it is likely that the processing functionality would be integrated into next generation mobile handsets.
- Mobile wallets – some users may prefer to carry a certain amount of credit on their phones for small purchases. The credit acts as a mobile wallet allowing transit fares, coffees,

newspapers, etc to be paid for by phone without the need for a chip and pin card. This would be a valuable service for unbanked customers.

- Online verification – for users shopping online on a PC, their phone could be used as a verification tool.

## Sensitivities

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There are inherent risks associated with investment in any early-stage development company where technology, pricing and competition are highly variable. These risks, however, create opportunity.

- **Up-take of mobile phone services.** Monitise's long-term business model is based on assumptions of the pace of take-up of mobile financial services by consumers and their willingness to use their phones to make transactions.
- **Dependence on key personnel.** Monitise has grown rapidly and now has c 100 employees. While Alastair Lukies is a driving force behind the direction of the group, it is our belief that the quality of senior management and the advisory board has diluted the importance of any one individual, and so does not detrimentally affect growth prospects for the group.
- **Ability to implement growth strategy.** Monitise's business growth strategy is based on implementing the Monitise platform internationally. Clearly, this could involve the need for further equity-based fund-raising to accelerate growth.
- **Intellectual property rights and competitive outlook.** Mobile VPT argued in January 2007 that there had been an infringement to patent. However, the case is 'stayed' (no activity for the last 18 months), and management strongly believes the claim to be invalid. However, as the market matures and the economic rewards become clearer, there is the risk of new entrants that could either take market share or at least pressurise pricing.

## Valuation: DCF valuation of 25p

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Monitise is still too immature and the losses too high to ascribe any multiple-based valuation metrics to the business. Therefore, in this report we fall back on a DCF approach in reaching a group value of 25p. Clearly, this analysis is highly sensitive to changes in assumptions, although we have attempted to capture some of the risks to forecasts by using a discount rate of 15%.

Key factors to highlight about Monitise:

- The group has a highly invested and proven technology for wireless banking and transactions over mobile phones.
- Monitise has already signed industry leaders in the UK, US and increasingly overseas adding credibility to the technology platform and providing a major competitive barrier.
- The group reached its target of 1m users two months early, and now has more than 1.75m users, highlighting the financial viability of the business model and giving management increasing visibility of cash break-even.

We believe milestones that investors should monitor over the next six months should include subscriber growth (we estimate at least 2.3m by end-June 2010), new overseas partnerships, expansion of the network beyond retail banks and the ARPU as consumer take-up accelerates (ie evidence that consumers/banks are 'willing to pay' for the service).

## Exhibit 4: DCF valuation

Year end June	2009 June	2010 June	2011 June	2012 June	2013 June	2014 June	2015 June	2016 June	2017 June	2018 June	2019 June	2020 June	2021 June	2022 June	2023 June	2024 June
Integration services revenue	1.1	1.4	2.5	3.7	4.9	5.7	6.2	6.5	6.8	7.0	7.1	7.2	7.3	7.3	7.4	7.4
Average Number of international JV partners	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
Average Licence per JV \$m	1.7	1.6	1.5	1.4	1.4	1.3	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.1	1.1	1.0
JV Licence Revenue @ 50% recognition	1.1	1.5	1.9	2.3	2.6	2.9	3.1	3.4	3.7	4.0	4.3	4.5	4.8	5.0	5.3	5.5
Total registered customers	0.5	2.3	4.9	10.9	17.6	26.3	36.9	47.4	57.7	65.5	72.9	79.8	87.4	94.2	101.4	108.0
Year end Active users (millions) - UK only	0.5	2.0	3.0	4.0	4.7	5.4	6.0	6.5	6.8	7.0	7.4	7.7	8.1	8.5	8.8	9.0
Average # Active users '000	0.2	1.2	2.5	3.5	4.4	5.1	5.7	6.3	6.6	6.9	7.2	7.5	7.9	8.3	8.7	8.9
% Low end (Essentials)	50%	25%	27%	28%	29%	30%	31%	32%	33%	34%	35%	36%	37%	38%	38%	38%
% High end (Advanced)	30%	25%	27%	28%	29%	30%	31%	32%	33%	34%	35%	36%	37%	38%	38%	38%
% High volume	20%	50%	47%	45%	43%	41%	39%	37%	35%	33%	31%	29%	27%	25%	25%	25%
ARPU/month Low end (p)	25	21	20	20	19	19	18	17	17	16	16	15	15	15	14	14
ARPU/month High end (p)	55	55	55	55	55	54	53	52	51	50	49	48	47	46	45	45
ARPU/month High volume (p)	12	8	8	8	8	7	7	7	7	7	7	7	6	6	6	6
Royalty/Transactional Revenue recognition	0.4	3.4	7.1	10.1	12.7	14.8	16.7	18.3	19.4	20.1	21.0	22.0	23.1	24.1	24.7	25.4
Year end Active users (millions) - ROTW	0.1	0.3	1.9	6.9	12.9	20.9	30.9	40.9	50.9	58.5	65.6	72.1	79.3	85.7	92.5	99.0
Average # Active users '000	0.0	0.2	1.1	4.4	9.9	16.9	25.9	35.9	45.9	54.7	62.0	68.8	75.7	82.5	89.1	95.8
% Low end (Essentials)	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%	30%
% High end (Active)	30%	20%	20%	20%	21%	22%	23%	24%	25%	26%	27%	28%	29%	30%	31%	32%
% High volume	40%	50%	50%	50%	49%	48%	47%	46%	45%	44%	43%	42%	41%	40%	39%	38%
ARPU/month Low end (p)	24	21	21	21	20	20	19	19	19	18	18	18	17	17	16	16
ARPU/month High end (p)	50	58	58	58	58	57	56	55	53	52	51	50	49	48	47	47
ARPU/month High volume (p)	10	8	8	8	8	8	8	8	7	7	7	7	7	7	7	7
Royalty/Transactional Revenue @ 50% recognition	0.0	0.2	1.4	5.7	13.1	22.4	34.5	47.9	61.4	73.4	83.3	92.5	101.7	110.8	119.6	130.1
<b>Royalty/Transactional Revenue - Total</b>	<b>0.5</b>	<b>3.6</b>	<b>8.5</b>	<b>15.8</b>	<b>25.8</b>	<b>37.2</b>	<b>51.2</b>	<b>66.3</b>	<b>80.9</b>	<b>93.5</b>	<b>104.3</b>	<b>114.5</b>	<b>124.8</b>	<b>135.0</b>	<b>144.3</b>	<b>155.6</b>
<b>Total Revenue</b>	<b>2.7</b>	<b>6.5</b>	<b>12.9</b>	<b>21.7</b>	<b>33.3</b>	<b>45.8</b>	<b>60.5</b>	<b>78.2</b>	<b>91.4</b>	<b>104.5</b>	<b>115.7</b>	<b>126.2</b>	<b>136.9</b>	<b>147.3</b>	<b>156.9</b>	<b>168.4</b>
Revenue growth		142%	99%	68%	53%	38%	32%	26%	20%	14%	11%	9%	8%	8%	6%	7%
Gross Margin services	30.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%	40.0%
Gross margin licence	90.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross margin royalties and transactions	45.0%	50.0%	52.0%	54.0%	56.0%	57.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%	58.0%
<b>Total Gross Profit</b>	<b>1.5</b>	<b>3.9</b>	<b>7.3</b>	<b>12.3</b>	<b>19.0</b>	<b>26.3</b>	<b>35.3</b>	<b>44.5</b>	<b>53.3</b>	<b>61.0</b>	<b>67.6</b>	<b>73.8</b>	<b>80.1</b>	<b>86.3</b>	<b>91.9</b>	<b>98.7</b>
Operating Costs	(12.8)	(16.8)	(17.8)	(18.6)	(19.6)	(20.6)	(21.6)	(22.7)	(23.8)	(25.0)	(26.2)	(27.5)	(28.9)	(30.4)	(31.9)	(33.5)
<b>EBITA&amp;SBP</b>	<b>(11.3)</b>	<b>(12.9)</b>	<b>(10.4)</b>	<b>(6.4)</b>	<b>(0.6)</b>	<b>5.8</b>	<b>13.7</b>	<b>21.8</b>	<b>29.5</b>	<b>36.1</b>	<b>41.4</b>	<b>46.3</b>	<b>51.2</b>	<b>55.9</b>	<b>60.0</b>	<b>65.2</b>
Cashflow Assumptions																
EBIT	(11.3)	(12.9)	(10.4)	(6.4)	(0.6)	5.8	13.7	21.8	29.5	36.1	41.4	46.3	51.2	55.9	60.0	65.2
Cash Tax £m	0.0	0.0	0.0	0.0	0.0	0.0	0.0	(2.2)	(4.4)	(10.1)	(11.6)	(13.0)	(14.3)	(15.6)	(16.8)	(18.3)
Depreciation & amortisation £m	0.6	0.4	0.5	0.6	0.6	0.7	0.7	0.8	0.9	1.0	1.1	1.2	1.3	1.4	1.6	1.7
Net Capex £m	(0.5)	(0.6)	(0.7)	(0.7)	(0.8)	(0.9)	(1.0)	(1.1)	(1.1)	(1.2)	(1.2)	(1.3)	(1.4)	(1.4)	(1.5)	(1.6)
Working Capital £m	(0.1)	(0.1)	(0.3)	(0.4)	(0.7)	(0.9)	(1.2)	(1.5)	(1.8)	(2.1)	(2.3)	(2.5)	(2.7)	(2.9)	(3.1)	(3.4)
Operating Cashflow £m	(11.3)	(13.2)	(10.8)	(7.0)	(1.5)	4.7	12.2	17.8	23.1	23.7	27.3	30.7	34.0	37.3	40.1	43.7
Discount Factor £m	1.0	0.9	0.8	0.7	0.6	0.5	0.4	0.4	0.3	0.3	0.2	0.2	0.2	0.2	0.1	0.1
Discounted Cashflow £m	(11.3)	(11.5)	(8.2)	(4.6)	(0.8)	2.3	5.3	6.7	7.5	6.7	6.8	6.6	6.4	6.1	5.7	5.4
Discount Rate		15%														
LT growth rate		5%														
NPV Forecast Period £m		45.4														
NPV Continuing Value £m		46.1														
FY09 Net Cash		25.6														
Equity Value £m		117.0														
<b>Per share</b>		<b>24.8</b>														

Source: Edison Investment Research

**Exhibit 5: Financials**

Note: Normalised EPS excludes exceptional, amortisation of acquired intangibles and share-based payments.

Year end 30 June	£'000s	2006 UK GAAP	2007 IFRS	2008 IFRS	2009 IFRS	2010e IFRS	2011e IFRS
<b>PROFIT &amp; LOSS</b>							
<b>Revenue</b>		<b>240</b>	<b>472</b>	<b>1,492</b>	<b>2,658</b>	<b>6,511</b>	<b>12,940</b>
Cost of Sales		(250)	(327)	(630)	(1,167)	(2,645)	(5,599)
Gross Profit		(10)	145	862	1,491	3,865	7,341
<b>EBITDA</b>		<b>(3,338)</b>	<b>(7,825)</b>	<b>(12,637)</b>	<b>(11,767)</b>	<b>(12,785)</b>	<b>(10,314)</b>
<b>Operating Profit (before GW and except.)</b>		<b>(3,338)</b>	<b>(7,909)</b>	<b>(12,786)</b>	<b>(11,977)</b>	<b>(12,885)</b>	<b>(10,414)</b>
Exceptionals		0	(596)	0	0	1,000	0
Share based payments		0	(183)	(2,107)	(1,754)	(2,000)	(2,000)
<b>Operating Profit</b>		<b>(3,338)</b>	<b>(8,688)</b>	<b>(14,893)</b>	<b>(13,731)</b>	<b>(13,885)</b>	<b>(12,414)</b>
Net Interest		7	8	919	604	100	0
<b>Profit Before Tax (norm)</b>		<b>(3,331)</b>	<b>(7,901)</b>	<b>(11,867)</b>	<b>(11,373)</b>	<b>(12,785)</b>	<b>(10,414)</b>
<b>Profit Before Tax (FRS 3)</b>		<b>(3,331)</b>	<b>(8,680)</b>	<b>(13,974)</b>	<b>(13,127)</b>	<b>(13,785)</b>	<b>(12,414)</b>
Tax		897	2,775	0	0	0	0
<b>Profit After Tax (norm)</b>		<b>(2,434)</b>	<b>(5,309)</b>	<b>(11,867)</b>	<b>(11,373)</b>	<b>(12,785)</b>	<b>(10,414)</b>
<b>Profit After Tax (FRS 3)</b>		<b>(2,434)</b>	<b>(5,905)</b>	<b>(13,974)</b>	<b>(13,127)</b>	<b>(13,785)</b>	<b>(12,414)</b>
Average Number of Shares Outstanding (m)		156.9	157	254	330	452	530
EPS - normalised (p)		(1.6)	(3.4)	(4.7)	(3.4)	(2.8)	(2.0)
EPS - FRS 3 (p)		(1.6)	(3.8)	(5.5)	(4.0)	(3.0)	(2.3)
Dividend per share (p)		0	0	0	0	0	0
Gross Margin (%)		N/A	31	58	56	59	57
EBITDA Margin (%)		N/A	N/A	N/A	N/A	N/A	N/A
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A	N/A
<b>BALANCE SHEET</b>							
<b>Fixed Assets</b>		<b>816</b>	<b>1,147</b>	<b>1,258</b>	<b>992</b>	<b>1,167</b>	<b>1,328</b>
Intangible Assets		478	790	793	659	834	945
Tangible Assets		338	357	465	333	333	383
<b>Current Assets</b>		<b>1,083</b>	<b>22,494</b>	<b>13,218</b>	<b>15,798</b>	<b>16,456</b>	<b>5,581</b>
Debtors		0	185	642	1,227	1,500	2,000
Other		923	1,936	2,895	4,426	1,400	1,400
Cash		160	20,373	9,681	10,145	13,556	2,181
<b>Current Liabilities</b>		<b>(4,923)</b>	<b>(2,705)</b>	<b>(5,250)</b>	<b>(7,399)</b>	<b>(4,900)</b>	<b>(5,500)</b>
Creditors		(595)	(1,411)	(2,873)	(4,020)	(4,900)	(5,500)
Short term borrowings		(4,328)	(1,294)	(2,377)	(3,379)	0	0
<b>Long Term Liabilities</b>		<b>0</b>	<b>0</b>	<b>(91)</b>	<b>(57)</b>	<b>(500)</b>	<b>0</b>
Long term borrowings		0	0	(91)	(57)	0	0
<b>Net Assets</b>		<b>(3,024)</b>	<b>20,936</b>	<b>9,135</b>	<b>9,334</b>	<b>12,223</b>	<b>1,409</b>
<b>CASH FLOW</b>							
<b>Operating Cash Flow</b>		<b>(3,902)</b>	<b>(8,680)</b>	<b>(12,861)</b>	<b>(11,396)</b>	<b>(12,178)</b>	<b>(10,214)</b>
Net Interest		0	8	820	604	100	0
Tax		0	(56)	0	0	0	0
Capex		(125)	(541)	(517)	(307)	(575)	(661)
Acquisitions/disposals		(120)	0	0	0	(500)	(500)
Financing (including demerger adjustments)		(27)	32,516	126	11,548	20,000	0
Dividends		0	0	0	0	0	0
Net Cash Flow		(4,174)	23,247	(12,432)	449	6,847	(11,375)
<b>Opening net debt/(cash)</b>		<b>0</b>	<b>4,168</b>	<b>(19,079)</b>	<b>(7,213)</b>	<b>(6,709)</b>	<b>(13,556)</b>
HP finance leases initiated		0	0	0	0	0	0
Other		6	0	566	(953)	0	0
<b>Closing net debt/(cash)</b>		<b>4,168</b>	<b>(19,079)</b>	<b>(7,213)</b>	<b>(6,709)</b>	<b>(13,556)</b>	<b>(2,181)</b>

Source: Monitise and Edison Investment Research

Growth	Profitability	Balance sheet strength	Sensitivities evaluation	
N/A	N/A		Litigation/regulatory	◐
			Pensions	○
			Currency	◐
			Stock overhang	◐
			Interest rates	◐
			Oil/commodity prices	○

Growth metrics	%	Profitability metrics	%	Balance sheet metrics		Company details	
EPS CAGR 07-11e	N/A	ROCE 10e	N/A	Gearing 10e	N/A	Address:	
EPS CAGR 09-11e	N/A	Avg ROCE 07-11e	N/A	Interest cover 10e	N/A	Warnford Court 29 Throgmorton Street London EC2N 2AT	
EBITDA CAGR 07-11e	7.1	ROE 10e	N/A	CA/CL 10e	3.4	Phone	020 7947 4300
EBITDA CAGR 09-11e	N/A	Gross margin 10e	59.4	Stock turn 10e	0.0	Fax	020 7947 4301
Sales CAGR 09-11e	128.8	Operating margin 10e	N/A	Debtor days 10e	84.1	www.monitisegroup.com	
Sales CAGR 07-11e	120.6	Gr mgn/Op mgn 10e	N/A	Creditor days 10e	112.1		

Principal shareholders		%	Management team	
Visa International		12.6	<b>CEO: Alastair Lukies</b>	
UBS AG Global Asset Management		9.6	Alastair has a proven track record of turning visions and concepts into real businesses. Before conceiving, financing and successfully building Monitise, Alastair was a co-founder of epolitix.com, the portal for Westminster, Whitehall and the devolved institutions.	
First Eastern (Holdings) Limited		8.2		
Standard Chartered Bank		7.1		
3i Group PLC		5.3		
Duncan James McIntyre		4.4	<b>CFO: Tom Spurgeon</b>	
HK Telemedia International Ltd		4.2	Tom brings over 15 years of financial management experience. He is a chartered accountant and trained with Price Waterhouse (London). Before joining Monitise, Tom spent five years as UK finance director of Morse plc.	
Forthcoming announcements/catalysts		Date *	<b>Chairman: Duncan McIntyre</b> Former CEO of Morse plc, which he joined as finance director in 1994. A qualified accountant, he previously working for 10 years at Price Waterhouse before joining Morse. He is also a non-executive director of Profero Limited and executive deputy chairman of Morse plc.	
Full year results		August 2010		
AGM		October 2010		
Trading update		January 2011		
<i>Note: * = estimated</i>				

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