

Trading Focus | Monitise plc*

Monitise maintains mobile money momentum

Monitise's trading update shows that the company is maintaining its mobile money momentum, with continued strong growth to 2m subscribers, good usage metrics, a renewed contract with RBS, and the imminent announcement of the Asia Pacific JV with First Eastern. The conclusion of the retail money JV with Carphone Warehouse looks to have been delayed slightly by CPW's own demerger, but is still on track. We have estimated a 23p per share valuation for Monitise, given the significant global potential of mobile money and Monitise's very strong market position and strategic attractiveness. The imminent announcement of the First Eastern JV details will add some Asian spice.

Monitise company basics

RIC	MONI
Share price £	0.16
Market cap £m	76.7
Net cash £m	16.9
Enterprise value £m	59.8

Source: ISR, company, Morningstar

Estimates and valuation

Year end June	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	na	na	na	0.0%
FY-10 E	6.4	-12.3	-1.8	0	19.7	8.6	na	na	0.0%
FY-11 E	13.9	-8.8	-1.2	0	10.7	4.6	na	na	0.0%
FY-12 E	25.3	-2.4	-0.3	0	7.7	2.6	na	na	0.0%
FY-13 E	39.6	5.4	0.7	0	12.3	1.6	16.3	21.7	0.0%
FY-14 E	51.6	11.7	1.6	0	23.5	1.0	6.2	10.1	0.0%

Source: ISR, Company, Morningstar

Key points

- Continued strong subscriber growth.** Monitise now has 2m subscribers in the UK and US, up from 1.75m at the interims in mid February. This suggests net additions of c6-7,000 per day, maintaining the rate that Monitise has been achieving since the launch of the iPhone Mobile Money application towards the end of 2009. Demand in the US has been driven by H&R Block, whilst in the UK the high profile Apple advertising, including the Monitise application for NatWest, will also have helped.
- And good usage metrics.** Volumes are running at an annualised rate of 100m, or approximately 1 transaction per user per week. Just like 2.4 children, this average probably reflects much higher volumes from the feature-rich smartphone applications, and less regular use of the simpler SMS-based services. Importantly, it shows that subscribers equates to usage, which is not always the case with new mobile services.
- RBS contract renewed** The company has also renewed its contract with RBS, covering the provision of services to RBS, NatWest and Ulster Bank, with more scope to deliver new services in future. This is an important contract renewal given that RBS, alongside Lloyds TSB, are the two major UK customers for Monitise.
- Progress with JVs.** Details of the Asia Pacific V with First Eastern, which will target Hong Kong and, in due course China, are expected to be announced 'imminently' and presumably ahead of the target date of 1st April. This will trigger up to £5m of new funding from First Eastern. Meanwhile the retail JV with Carphone Warehouse, which was also planned for conclusion by the same date, has apparently been delayed, with an announcement in 'coming weeks'. It is not surprising that there has been a delay given that CPW has also been grappling with the Talk Talk demerger, now confirmed for the 26th March.

* Monitise plc is an equity research client of I S Research Ltd

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The business was founded on Megabyte - originally a free blog, our widely read market intelligence service is now available to subscribers only. We are very proud the fact that Megabyte is read by so many leading CEOs, investors and advisers in the sector.

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