

Mossberg's Investor Digest

Best Idea Profile:

Monitise PLC (OTCPK:MONIF)

DESCRIPTION:

Monitise develops mobile money products designed to help consumers bank anywhere, pay anyone and buy anything from their mobile phones or tablets. In fact, its business is divided into those categories. Bank Anywhere empowers financial institutions to deliver mobile banking to their customers. Pay Anyone enables consumers to make payments at any time or at any place. Buy Anything allows purchase of goods and services via mobile. Lastly, Engage Anytime is an alerting solution that allows real-time, two-way conversations. More than 250 financial institutions are connected to the Monitise global platform, covering Europe, North America, Africa, India and Asia-Pacific. Monitise is headquartered in London and has 560 full-time employees.

KEY INVESTMENT CONSIDERATIONS:

Smartphone Growth Remains Explosive – In 2009 smartphones had penetrated 5% of the global population; at the end of 2013 it had captured 22%. The average adult interacts with their phone 150 times per day. There is a long way to go in this explosion and companies that can offer impactful and unique services will be rewarded. Banking is poised to take advantage of this changed environment. Mobile banking is contributing to the decline in branch banking by saving costs, raising customer interactions, and reducing penalty fees and time spent visiting branches and ATMs. Mobile banking adoption will continue to follow the penetration of smartphones. In fact, Monitise's chairman, formerly the CEO of Visa Europe, expects 50% of Visa's transactions will be initiated from a mobile phone by the year 2020.

Competitive Outlook – Although there are many players in this space, there are few competitors with Monitise's infrastructure, scope of services and market penetration. Monitise is the market leader with 28 million registered end-users. Monitise's suite of products can impact a financial institution's customer retention, revenue generation, cost savings, fraud reduction and customer engagement. Its existing strategic partnerships, advanced technology, and scalability make it more likely to be bought out than crushed by the entry of industry giants. A recent shift to a subscription-based revenue model will lower revenues in the short term, but it will likely accelerate customer additions and, ultimately, revenue. The new model reduces financial and technical barriers to customer onboarding, allowing faster penetration of this attractive market. The

company is targeting 200 million registered users by fiscal 2018.

Strategic Partnerships – Through its unique payment and commerce technology, Monitise has developed relationships with major financial institutions; including Visa, MasterCard, PNC, Standard Chartered, and Bank of China. It has an impressive partnership with IBM that can get it in the door of any IT department anywhere in the world. Other partnerships include Positron and Telefónica.

Impact of Major Shareholders – Monitise has strong investors in its stock. It recently placed an additional 160 million new shares to assist in the shift to a global subscription-based business. Its major existing shareholders and its new partner, MasterCard, are participating in the placement.

VALUATION:

The company is essentially debt free. Its five-year guidance for sustainable gross margins is above 70%, with EBITDA margin of at least 30%. It expects to be EBITDA profitable in fiscal 2016. Management has also stated its intent to move the stock to the main market in the 2014 calendar year, which would increase its accessibility and attractiveness. It currently trades on the London Stock Exchange and the OTC Markets Group.

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Investment Data (as of 5/8/14)

Recent Price	\$1.10
52-Week Range	\$0.51 - \$1.38
Fiscal Year End	June
Dividend	NA
Yield	NA
Shares Outstanding	1.6 B
Average Trading Volume (3 mos)	3.6 M
Market Capitalization	\$1.8 B
Cash	\$113 M
Long-term Debt	\$1.7 M
Enterprise Value (EV)	\$1.7 B
Book Value	\$0.25
TTM Revenue	\$154.5 M
P/ Revenue	11.6x
TTM EPS	\$(0.05)
P/ EPS	NA
TTM EBITDA	\$(54.0) M
EV/ EBITDA	NA

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