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Monitise PLC

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Monitise plc

July 8, 2014

Trading update

Transformative year with move to Monitise 2.0 subscription model initiated

FY 2014 revenue growth of 31%-33% vs expected 40%, due to faster shift to subscription model, with lower up-front revenue

Monitise expects revenue growth of at least 25% in FY 2015

Longer term guidance maintained, including intention to achieve profitability in FY 2016

Increased confidence in 200m registered users / £2.50 ARPU target by June-end FY 2018

120% year-on-year growth in annualised transfers and payments volume to \$88bn

Strong interest from customers and prospects in the Monitise 2.0, the Group's open-API platform, and the Monitise Commerce Network

Monitise plc (LSE: MONI.L) ("Monitise", the "Company" or "Group") announces an unaudited trading update following its 30 June 2014 financial year-end. Monitise's 2014 full-year results are scheduled to be published on 15 September 2014.

Financial and metrics update

· Full-year 2014 revenue is expected to be between £95-97m, or growth of 31%-33% year on year. Revenue growth was lower than previous guidance of approximately 40% due to a faster shift than originally anticipated to the new subscription-based business model. There were a small number of larger contracts that either have been or are being negotiated on a longer term subscription basis. They were previously expected to be signed before the year end with a large up-front licence component. Had this occurred, Monitise would

have exceeded guidance revenue for the year. However, Monitise took the decision to favour longer-term subscription revenue over shorter-term licence income with sub-optimal subsequent revenue, facilitated by Monitise's strong balance sheet.

- Gross cash at year-end of £145m provides balance sheet strength to see Monitise through to cash flow breakeven and beyond. Net cash including finance-lease liability is £144m. Monitise is debt-free. June 2013 net cash was £86m.

- Monitise expects FY 2014 EBITDA loss to be in the range of £32-36m, compared to Bloomberg consensus average of £28m, due to the revenue shortfall.

- In FY 2015 Monitise expects revenue to grow at least 25%, driven by enhanced existing and new partnerships and customer relationships which will be announced in the coming weeks and months.

- Registered end users on Monitise's Bank, Pay and Buy platforms grew from 28m in February 2014 to 30m by June 2014, plus a further 30m-plus downloads of Monitise-designed high-engagement apps from the Monitise Create and MEA divisions across multiple industry verticals. The objective of the Monitise 2.0 strategy is to accelerate the rate of registered end user growth.

- Further growth in live transactions in June 2014 with 4.0bn transactions on an annualised basis compared to 2.4bn a year ago. Payments and transfers initiated via Monitise technology now worth \$88bn on an annualised basis compared to \$40bn a year ago.

#### Guidance

- Monitise expects FY 2015 revenue growth of at least 25%.

- Longer term guidance unchanged:

- FY 2016 is expected to be EBITDA profitable and to see stronger revenue growth.

- By FY 2018 Monitise continues to target 200m registered end-users generating an ARPU of £2.50, a sustainable gross margin above 70% and an EBITDA margin of at least 30%.

- Monitise continues to consider a move to a main London Stock Exchange listing.

#### Highlights

- Monitise 2.0, the Group's strategy acceleration to a subscription-based business model, coupled with a fast on-boarding API-interface driven platform, has been extremely well received by our partners, customers and prospective customers. Monitise has seen strong interest in its toolkit, platform and services, giving increased confidence in end FY 2018 targets of 200m registered users generating an ARPU of £2.50. Monitise expects to announce new customers, partners, and products in the coming months.

- FY 2014 was a transformative year, starting with the July 1 2013 announcement of a five-year contract with Telefónica, with the first services going live in June 2014 with the launch of Yaap, a mobile commerce JV set up by Telefónica, Caixa Bank, and Santander in Spain. U.S. Bank announced a planned mcommerce launch using Monitise technology. Monitise announced new customers in mobile

banking and payments around the globe and welcomed MasterCard as a partner and strategic investor in March 2014. In June, Visa Europe reiterated its long-standing relationship with Monitise through a multi-year collaboration and representation on the Board.

- Following the March 2014 strategy update and fundraise, Monitise is accelerating its development of the Monitise Central Platform (MCP) - the open-API interface technology platform that will materially speed the on-boarding of banks and other customers and open broad reseller channel adoption. While basic mobile banking has already been adopted by the majority of large banks, there is a significant re-platforming opportunity ahead as early installations need upgrading to deal with increased usage and functionality. Banks are increasingly considering outsourcing what up to now has been largely an in-house build, to capitalise on Monitise's lower-cost platform, faster time-to-market and feature growth, and new mobile commerce-driven revenue streams.

- The Executive and Non-Executive Director team was strengthened with the appointment of Peter Ayliffe as non-executive Chairman in October 2013, and Elizabeth Buse as co-CEO in June 2014 working alongside founder and co-CEO Alastair Lukies. Former CTO and head of IT at Visa Europe Adam Banks joined Monitise to spearhead the development of MCP. A number of experienced banking and payment executives joined the business as senior account managers across three continents as our product sales focus accelerates.

- Monitise's recent acquisition of the digital marketing content assets from Markco Media has been very well received by customers and prospects interested in generating new revenue streams by using banks' consumer data, on an opt-in basis, to provide highly-targeted offers to banks' consumer customers. The consumer relationship and their data remain with the bank and is never released to third parties or used separately by Monitise without the bank's express permission. Again, Monitise is defending and extending the bank's consumer relationships. The MCP platform allows bank customers who wish to continue using their own platform to augment it using Monitise's connections to gift card aggregators, prepaid mobile phone top up, event ticketing, and offers and discounts, all on a targeted basis.

- Monitise's acquisitions have resulted in the issue of new share capital, but have also transformed the Company from a local UK provider to a global powerhouse, with enviable partner relationships with Visa Inc., Visa Europe, FIS, IBM, and MasterCard, a number of whom are also strategic investors in the Group. FY 2014 activity saw the acquisition of:

- Grapple Mobile (Monitise Create), in September 2013.

§ Already seen revenue expansion as Monitise clients take advantage of in-house design expertise.

§ Connects Monitise with a wide range of other industry verticals and best-practice.

§ Recently launched in the Americas, announcing U.S. Bank as its first customer.

- Pozitron (Monitise MEA), in February 2014.

§ Market leader in the region, with a base in Turkey.

§ Seen a stream of customer wins and launches since the acquisition including Yapı Kredi Bank and First Gulf Bank.

- Markco Media (Monitise Content), in June 2014.

§ Augments Monitise's Buy Anything mobile commerce product offerings via connections to a 60,000-strong brand and retailer content network.

§ Provides a content delivery platform staffed by 50 digital content experts that will be plugged into MCP.

- Monitise Asia Pacific buyout of our JV partner in Hong Kong in October 2013, followed by the buyout of our JV partner in AGIT Monitise Indonesia, in June 2014.

§ During the year, Monitise launched a Chinese-language version of its technology platform and services went live with Jetco and PCCW mobile, with Bank of China (Hong Kong) as the launch bank.

§ Monitise now has 100% ownership of its direct Asia Pacific operations, and has only one remaining JV, Movida in India with Visa Inc.

. During the year, Monitise was named third on Forbes' Most Innovative Growth Companies list, ranked sixth in the Deloitte 2013 UK Fast-50 awards, and awarded 'Best in Class' across all categories by CEB Tower Group's mobile banking technology analysis. BBM Money, which Monitise developed in Indonesia, won an Emerging Payments award. Its partnership with IBM was announced in September 2013; the depth of the relationship being recognised with the 2014 IBM Choice Award for high performing new business partner.

Monitise founder and co-CEO, Alastair Lukies, said:

"Our business has made fundamental progress over the past year and our relationships with global partners continue to strengthen. We have bolstered our future capabilities, with Monitise 2.0 representing a direct move by our Group to capitalise on the accelerating adoption of Mobile Money around the world. The transition we are effecting means our platform will become easier for our customers to connect to, easier for our channel partners to re-sell and further embellished with more engaging services. Our role, as a business-to-business enabler, is to bring banks, retailers and mobile network operators ever closer to their customers. The unrivalled advantage we offer our customers is that we protect and enhance their business models and consumer relationships."

Monitise co-CEO, Elizabeth Buse, commented:

"As a business we are committed to the next step of our journey and transitioning to a subscription-based model. Having taken the decision to forego certain shorter-term licence revenue in favour of longer-term subscription revenue, our priorities for the year ahead are executing on the strategy we are now aggressively pursuing. In tandem with this, our focus is on completing the standardisation and commercialisation of our Bank, Pay, and Buy products within the Monitise Central Platform. We are excited by the business model we are adopting and believe we are excellently positioned for our ongoing growth."

**Co-CEOs Alastair Lukies and Elizabeth Buse, deputy CEO Lee Cameron, and CFO Brad Petzer will host a conference call from New York and London for investors and analysts on Tuesday July 8 2014 at 1pm BST/ 8.00am ET**

Dial-in details are as follows:

Conference ID and name: 71129535 & 'Monitise call'

UK Free Dial-In: 08006940257

Standard International Dial-In: +44 (0) 1452 555566

US Dial-In: 1 (866) 966-9439

A replay facility will also be available from 6pm BST / 1pm ET on July 8 2014 on the following numbers:

UK Free Dial-In Call: 08009531533

Standard International: +44 (0)1452550000

US Dial-In: 1 (866) 247-4222

The replay facility will be available for seven days.

About Monitise

Monitise (LSE: MONI) is a world leader in Mobile Money - banking, paying and buying with a mobile device. Leading banks, payments companies, retailers and mobile networks utilise Monitise's technology platforms and services to securely connect people with their money.

30 million consumers have registered for Monitise's patented technology to 'bank anywhere', 'pay anyone' and 'buy anything', accounting for \$88bn of payments, purchases and transfers annually. Additionally, apps designed by the Group's Monitise Create and MEA divisions have been downloaded 30 million times. More information is available at [www.monitise.com](http://www.monitise.com).

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