



Microcap Millionaires Presents:

“The Next 100 Bagger” Report

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The stock: [Monitise](#). It is a British company that trades in the U.S. under the ticker “MONIF”.

[Introduction](#)

This report is being developed to examine the business structure and potential for the British Mobile Software Company MONITISE. Monitise is the brainchild of technology entrepreneur Alistair Lukies. In 2003 Mr. Lukies came up with the idea for a business software company that specialized in the development and execution of software that works exclusively on mobile technology. While these unit’s present the same data and interface that traditional web based sites do, the software and operating systems are completely different; hence the reasons that a software company would specialize in just mobile applications.

This cognizant report will focus on four keys areas of Monitise: Business Model; Strategic Planning and Model; Year over Year growth rate and projections; Comparison of the company to other operators in the field and as an investment vehicle.

[Business Model](#)

Monitise is developing several basic computer programs for hand held devices or other mobile devices. The programs operate off the operating systems of Apple, Verizon, and other mobile makers or carriers. Monitise is concentrating on three core areas: Mobile Banking (m-banking); Mobile Pay (m-pay); and Mobile Commerce (m-commerce). These three forms of mobile activities are all centered on the electronic exchange of money for goods or services. These areas are fairly standard affairs for any company that operates in this industry.

What Monitise is doing though, is to work with client banks by taking the expense and costs off their hands and transferring it to Monitise. The company offers its programs through secure cloud operations to its clients. Clients then have the luxury to expand or



contract their functions with Monitise as their own customer base expands or contracts. Additionally, this system allows clients to concentrate on their sales and marketing activities, while Monitise manages the networks and operating systems for problems or needs. This retaining of the physical systems has a great advantage to the clients in that they do not have to worry about many system problems associated with owning a program or programs. While there are many upsides to this form of operation, it does have a draw back. If the client chooses to go with another provider, the only leverage over retaining the client that Monitise will keep; is pricing of the usage of the program. As the clients does not have any physical technology from Monitise that could cause the client to think twice about leaving.

Strategic Planning and Model

In developing its system and business model, Monitise has made several strategic decision that could payoff major dividends in the upcoming years.

As stated above the decision to retain the technology on themselves instead of having clients buy and install; has so far proven a very good marketing incentive, banks do not have to buy and install very costly materials. Additionally, as new technology becomes available the bank does not have to put this expense on their books, they will be able to “rent” it from Monitise as part of their contract with the company.

In its relatively short life Monitise has developed several strategic relationship and partnerships. The company has been chosen by close to 350 banks to utilize its software, including several major world player, like Visa, IBM and Telefonica to name a few. This has brought to Monitise a great deal of respect and credibility. It is clear from these connections that the clients of Monitise and its partners see something special in its process and abilities. This point is supported by the fact that Visa and Visa Europe now own a combined 14% of Monitise outstanding shares. Also, Visa has developed an operating partnership with Monitise for a specific operating program.

In fact it is very interesting that Visa and the Central Bank of Norway hold close to one quarter of the outstanding shares of Monitise.

These strategic connections are playing two major roles in the development of Monitise’s value and its future. Monitise through these connections and its ambitious goals of setting the standard by which a client will operate its mobile systems, is attempting to set the standard by which all operators of mobile banking use in the industry. If they are successful in this venture they will have a clear opportunity to



become the Microsoft of mobile activities. There is one major issue with this strategic plan- they are not Microsoft yet; and as such they have been brought to the attention of all players in the industry, these companies are gunning for Monitise.

This brings out one major caution on Monitise: they are currently in a poor capital situation. Due to the vast number of shares outstanding they have diluted themselves to the hilt. Currently, the company has over 1.5 billion shares outstanding, this will take a great deal of earnings to move this stock (the most recent years earnings were \$117 Million).

The other strategic connection that may play with Monitise's value is speculative buyout. Given the amount of interest in the company from major enterprises, the most clear speculative end for Monitise is that it will be gobbled up by one or a grouping of its major shareholders. Consider that Visa is such a major holder of the company it seem reasonable that once the technology (software) of Monitise becomes even more widely accept the best way for Visa to benefit from its investments in Monitise is to buyout the company. In that scenario, which is totally conjecture at this point, a bidding war could erupt between some stakeholders and partners of the company. Would IBM seek to have Monitise's system as their in house programming for the mobile world? In this scenario the current value of Monitise stock is very undervalued.

[Year over Year Growth](#)

Monitise since 2010 has maintained a very solid growth ratio of above 200% per year. The specific growth rates were 255% growth from 2010 to 2011; 236% growth from 2011 to 2012; and a growth rate of 201% for 2013 from 2012. The company has made some great percentage growth marks in its short life; however, as is correct for any company, the older it get the more normalized its growth rate becomes. Current expectations are for growth rates for 2014 and 2015 to average about 145%. This will translate to a positive earnings of \$0.01 per share by 2015. Currently the earnings are negative for the last several year and expected to be negative for 2014.

[Comparison to other Companies](#)

Monitise has chosen a field in which there is a great deal of competition. It is true that software development is almost like 7/11; with a location on every street corner. In this vain Monitise faces competition from some school age kid working out of their parent's



basement to Microsoft and Oracle. The positive in this light is that there is a great deal of demand for their product, the question become one of supply.

Monitise has staked a great deal of its success on the ability to develop the keystone or primary operating software for M-Banking and M- Commerce. It is apparent that several major companies like Visa and IBM believe in their ability to become the premier provider so now we should investigate their direct competitors and how does Monitise stack up in term of stock financials.

As mentioned there are plenty of companies to look at who may compete with Monitise. A quick Yahoo search of the companies that are in the business services section of software production indicates that there are over 300 publicly traded companies that act in this field. Ranging from the size of Oracle and Microsoft to smaller like Monitise. Drilling down to the type of business that Monitise specializes in; M-banking software, reveals two major competitors. These competitors are Fidelity National Information Service (FIS) and Fiserv (FISV); these two companies seem to be the closest to what Monitise offers and have operations that clients can us. FIS recently bought a company called M-foundry that was a firm specializing in software for M-commerce and banking. In this report we will compare the three companies.

One thing to point out is that FIS and FISV has a better capital structure and have developed better income levels as such. Both have positive earnings per share and are trading as non-penny stocks (FIS: \$51) and (FISV: \$110). The following tables are being present to compare similar data for the companies.

FIS

Revenues	\$5.99 Billion
EPS	\$1.89
Market Value	\$14.84 Billion
Cash/ Share	\$2.79
Book Value/ Share	\$22.84
Shares Outstanding	291 million
Noted Shareholders and Stake	Vanguard 6.73% ownership

FISV

Revenues	\$4.74 Billion
EPS	\$4.54
Market Value	\$14.22 Billion
Cash/ Share	\$2.49
Book Value/ Share	\$26.76
Shares Outstanding	129 million
Noted Shareholders and Stake	Vanguard 6.87%

Monitise (MONIF)

Revenues	\$117 Million
EPS	\$-0.06
Market Share	\$1.31 Billion
Cash/ Share	\$0.09
Book Value/ Share	\$0.25
Shares Outstanding	1.55 Billion
Noted Shareholders and Stake	Visa (14.3%) Norges Bank (9%)

As mentioned above Monitise's single greatest challenge is its capital structure. The company currently trades in the US market under the ticker symbol MONIF. Recently, as of the end of November, the company's stock trades at about 85 cents per share. When compared to the other larger enterprises it is apparent that Monitise has not yet realized the values based on its ambition to be the operating system of the mobile banking world. While the company maintains a positive book value and cash position, because it has issued so many shares the company will have an extended period of time to wait for revenues to move the stock. While this is a negative to the current situation, it could be a solid strategy in a speculative buyout scenario. In that light major investors could be waiting for the technology to get to the same place as management's ambition. Once there and the technology is proved, it might be easy to buyout the rest of the company.



Conclusion

It is clear that Monitise is a company that faces some challenges like any company. The concept and the ambition of the company to become the de-facto M-Commerce and M-Banking software platform; can be the effort that turns this small company into the next Microsoft. It is clear that the management team has convinced several major players that Monitise is indeed the company to go with. In fact, as noted, it is possible that once these partners see the company execute its operations totally they could decide to buy it out entirely and bring its operations in-house.

In the end the actual judgment of the market and the price of the stock, Monitise, will be measured by its ability to turn its strategy into a completed execution.

In order for MONIF to become a 100 bagger, it will need to move from its current price near \$1 per share (as of the composition of this report anyways) all the way to \$100 per share. A tall order, but a feat that can be accomplished due to the disruptive and innovative business model that Monitise employs.

After all, AMZN, MNST and NTRI all made the journey to 100 bagger status due to their similarly innovative products, so it's definitely a possibility!

Full disclosure: as of the publishing of this report, I do own shares of MONIF in my personal trading account.

*Special Note from Matt (Microcap Millionaires Founder)...

"Hope you enjoyed the report, if you want to a more up to date perspective on MONIF, and many more potential 1, 2, 5 baggers...or yes, even more potential 100 baggers, join my stock picking newsletter here: <http://www.microcapmillionaires.com/join> You will receive access to a free microcap stock trading course (\$297 value) instantly as an added bonus to this report. Thanks for reading!

-Matt

p.s. you can see a full presentation that details my penny stock strategies here: <http://www.microcapmillionaires.com/pennystockstrategypresentation> "