

CORPORATE

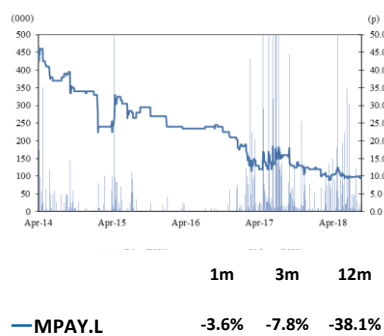
Current price 9.5p

Sector TMT

Code MPAY.L

Listing AIM

Share Performance



Source: Thomson Reuters, Allenby Capital

Share Data

Market cap (£) 4.3m

Shares in issue (m) 45.7

52 weeks High Low
16.0p 8.0p

Financial year end 31 December

Source: Company Data, Allenby Capital

Key Shareholders

Albion Ventures 32.2%

Helium Special Situations Fund 17.3%

Michael Dickerson (Chairman) 5.9%

Octopus Investments 5.9%

CriSeren Investments 4.0%

James Leek 3.9%

Livingbridge 2.8%

Source: Company

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MI-PAY GROUP PLC (MPAY.L)*

Interims – New revenue stream added

Mi-Pay, a provider of mobile payment and payment fraud management services to Tier 1 Mobile Network Operators (MNOs) and digital content providers, has reported interims with a further 11% growth in the total value of payment transactions to £50.2m as well as direct fraud management of an additional £17.8m - a new product stream that has considerable revenue potential. Mi-Pay has sector-leading payment success rates and fraud levels, indemnifies its customers against fraud and hence can charge 3x to 5x the rates compared with traditional payment companies. We expect Mi-Pay to break-even in H2 before moving into sustained profit and is sufficiently funded. The value of Mi-Pay's existing offering and the growth potential is not reflected in the current price.

— **Losses reduced** – Revenue increased 6.7% to £1.6m and although there was a 100bps fall in GM to 62% (gross profit flat at £1.0m), cost reductions resulted in adj. LBITDA reducing £0.2m to £0.1m. Further cost savings of £0.2m p.a. have been secured with new agreements around Mi-Pay's core transaction processing platform and PCI accredited data centre infrastructure. Cash net of client payments reduced £0.1m to £0.5m with an £0.3m outflow partially offset by March's £0.2m placing. A further £0.3m for R&D tax credits relating to prior periods was received in H2. Total cash and cash equivalents were £3.1m (FY17: £2.9m).

— **Key customer integrated** – The lower GM reflects the new pricing agreed with its largest customer in the 2017 contract extension. The volumes associated with this MNO are expected to grow in H2 as it onboards the enlarged customer base. There were some customer delays to the process and this impacted short term volumes and revenue by c. £0.3m but the integration was delivered in August and annualised volumes across all clients now stand at £112m (FY17: £94m).

— **Indemnified fraud management** – The provision of fraud management services to a Western European customer offers geographic and sector revenue diversification as well as enriching Mi-Pay's own service. The adoption of digital payments continues to grow and this must be balanced with the requirement for high levels of security and data protection. Mi-Pay offers a secure outsourced service with low fraud levels and high payment success rates and continues to add further payment options, e.g. Apple Pay in H2, to its offering.

Allenby Capital has been appointed Nomad and Broker to Mi-Pay Group plc. A full initiation note will follow in due course.

SUMMARY OF FINANCIALS

Year End: December (£000)	2016A	2017A	2018E	2019E
REVENUE	3,279	3,050	3,409	4,563
ADJUSTED EBITDA	(189)	(453)	(83)	432
ADJUSTED PBT	(318)	(550)	(202)	312
ADJUSTED EPS (P)	(0.76)	(1.31)	(0.34)	0.82
CASH	3,419	2,893	3,020	3,294
PER (x)	NEG	NEG	NEG	11.6

Source: Company; Allenby Capital.

*Adjusted EBITDA, PBT and EPS exclude one-off charges and share based charges

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RESEARCH RECOMMENDATION DISCLOSURE

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Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication.

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