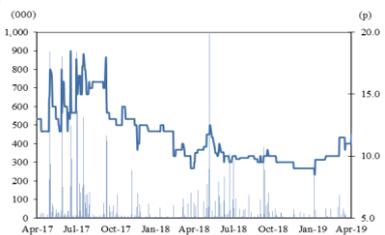


**CORPORATE**
**Current price** 11.8p

**Sector** TMT

**Code** MPAY.L

**Listing** AIM

**Share Performance**


	<b>1m</b>	<b>3m</b>	<b>12m</b>
—MPAY.L	+18%	+31%	+24%

Source: Thomson Reuters, Allenby Capital

**Share Data**
**Market cap (£)** 5.4m

**Shares in issue (m)** 45.7

**52 weeks** High Low

12.5p 8.5p

**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: Argus Vickers

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**MI-PAY GROUP PLC (MPAY.L)\***
*Move into H2 profit; renewals provide visibility*

Finals from Mi-Pay Group, an established provider of digital payment and payment fraud managed service to Tier 1 mobile operators and digital content vendors, were in line with forecasts and January's trading update. The 9.4% increase in revenue to £3.3m included a maiden £0.3m contribution from its Fraud Services business and the combination of increased gross profit (+£0.1m) and lower operating costs (down £0.3m) resulted in the operating loss reducing £0.4m to £0.2m and the company was profitable in H2. Mi-Pay processed more than £100m in fully managed payment transactions for the first time and indemnified £44m of payments against fraud - this is opening a new revenue stream. Mi-Pay was successfully integrated into 3 Ireland's new infrastructure during the year and the acquired O2 customer base was transferred onto Mi-Pay. Since period end, Mi-Pay has signed extensions with clients that represented 43% of FY18 revenue providing forward revenue visibility. We maintain our fair value of 17.8p/share, a 51% upside.

— **FY performance** – Group revenue of £3.3m included Transaction Services revenue flat at £2.6m despite the 12.8% increase in payment transaction values processed. This reflected improved terms for clients on longer term, higher volume contracts; increased bill payment transactions that offer lower fees per transaction but also lower risk; and the pass through of lower payment processing costs. Gross profit was down slightly at £1.6m. Mi-Pay maintained sector leading transaction success (88%) and fraud (0.04% of transaction value) rates. Professional Services revenue and gross profit was flat at £0.4m and £0.3m respectively. The balance came from the new Fraud Services business. Although this has a lower revenue per transaction, it is easier to implement and increases Mi-Pay's addressable market (geographically and vertically). Gross profit +5.6% to £2.1m. Operating costs reduced £0.3m from Mi-Pay's reorganisation and infrastructure cost renegotiation. As a result, operating loss fell £0.4m to £0.2m. Gross cash increased £0.6m to £3.5m with £2.9m of client-related funds (FY17: £2.5m) and £0.6m (FY17: £0.6m) of core trading and operating cash.

— **Outlook** – Mi-Pay has extended contracts with two customers that represented 43% of FY18 revenue to 2022 and beyond. Fraud Services has had a good start and we would expect further growth as well as the gradual reduction the fraud rate associated with higher risk transactions. The company also continues to expand its support for payment methods, adding Apple Pay, Sofort and Giropay in the year. Overall, consumers continue to use mobile technology to consume digital data and providers are looking to digitise their payment offerings. At the same time, providers are consolidating their suppliers and there are ongoing regulatory changes e.g. PSD2. These represent an opportunity and a risk. Mi-Pay has become a trusted supplier and there is scope to grow within these customers and expand the base further.

**SUMMARY OF FINANCIALS**

Year End: December (£000)	2016A	2017A	2018A	2019E
REVENUE	3,279	3,050	3,337	4,103
ADJUSTED EBITDA	(189)	(453)	(63)	221
ADJUSTED PBT	(318)	(550)	(182)	121
ADJUSTED EPS (P)	(0.76)	(1.31)	(0.43)	0.26
EV/EBITDA (X)	NEG	NEG	NEG	23.2
NET CASH†	3,419	2,893	3,138	3,372

Source: Mi-Pay Group plc; Allenby Capital.

\*Adjusted EBITDA, PBT and EPS exclude non-recurring items. † includes client money but net of finance leases.

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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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