

UMT

Accounts transparency a positive step forward

UMT has shown substantial progress in hitting key milestones since our initiation on the stock in May of this year. The launch of white-label mobile payments for Germany's largest loyalty scheme, Payback, commenced smoothly in June and six major German retail groups are now using UMT's system to provide mobile payments services to their Payback customers. The recent publication of key consolidated earnings data for H116 shows 34% EPS uplift from the unconsolidated figures for the same period, while management's plans to publish consolidated financial statements for FY16 and IFRS standards for FY17 should improve reporting transparency and boost investor confidence.

Year end	Gross profit (€000s)	PBT (€000s)	EPS (c)	DPS (c)	P/E* (x)	Yield (%)
12/12	822	174	2.88	0.0	44.8	N/A
12/13	1,304	486	4.08	0.0	31.6	N/A
12/14	1,278	133	0.89	0.0	145.4	N/A
12/15	1,645	951	6.29	0.0	20.5	N/A
H116	1,251	993	5.96	0.0	10.8	N/A
H116 cons.	2,701	N/A	7.99	0.0	8.1	N/A

Note: Based on unconsolidated accounts. *H116 P/E figures calculated using annualised EPS data.

Initial H116 consolidated data brings 34% EPS uplift

For its H116 results, UMT has for the first time released selected consolidated earnings data based on German GAAP. The H116 numbers show group revenues of €2.8m, 120% higher than the unconsolidated figure and net income of €1.32m, 34% higher than the unconsolidated result. Simple annualisation of the group H116 EPS of 8.0 cents puts UMT on a P/E of 8.1x. Nevertheless, assuming the same seasonality seen in the 2015 unconsolidated accounts would give rise to a P/E of 10.3x (see Exhibit 1, which contains an explanation of the calculation).

Strong pipeline of new prospects

UMT continues to report that it has good new client prospects, with its pipeline of prospects including fashion retailers, social media sites, port authorities, retail associations and hotel developers. A recent partnership with mobile loyalty plan specialist Points4More has expanded the addressable market for UMT's services.

Valuation: Payback milestone first in value chain

Management has reported to shareholders that it plans to publish consolidated financial statements under German GAAP for the first time in FY16 and to move to IFRS group accounting in 2017. We expect this will enable us to create earnings forecasts for the group for the first time as well as DCF and peer group valuations. In terms of valuation milestones, with the already successful launch of mobile payments for Payback we are also looking for new client wins and the start of big data operations to provide catalysts for the share price. In the longer term we see the potential for UMT to participate in the fintech sector consolidation. Nevertheless, we also believe it likely that UMT will seek additional equity funding over the next 12-18 months, leading to some risk of share dilution.

H116 consolidated profit

Software & comp services

2 December 2016

Price €1.29

Market cap €22m

Unconsolidated net debt (€m) at 30 June 2016 2.0

Shares in issue (excluding 75,922 own shares) 17.4m

Free float 40%

Code UMD

Primary exchange Frankfurt (Xetra)

Secondary exchange N/A

Share price performance



% 1m 3m 12m

Abs (6.4) 14.3 (7.2)

Rel (local) (6.5) 14.3 (0.8)

52-week high/low €1.58 €1.02

Business description

UMT is a technology company engaged in developing and operating highly scalable technology solutions. Its main focuses are a technology-agnostic mobile payment and loyalty platform, which is offered as white-label solution, as well as consulting services to large enterprises.

Next events

FY16 results Q217

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Consolidated H116 key earnings summary

UMT has recently released key consolidated earnings data for H116 applying German GAAP. The group generated H116 output to the value of €2.76m, including €450,000 revenue recognised from the capitalisation of its own software development. Reported gross profit of €2.70m translates to a gross margin of 98% (showing a low level of allocation of cost to specific jobs under German GAAP), while the net income of €1.32m resulted in a net margin of 48%.

H116 group revenue was 120% higher than that of the parent company and net income was 34% higher than the unconsolidated figure of €0.99m. Simply annualising the group H116 EPS of 8.0 cents (to 16.0c) puts UMT on a P/E of 8.1x. Assuming the same seasonality seen in the 2015 unconsolidated figures, where full year net profit was only 57% greater than the H1 level, would give rise to an EPS of 12.5 cents and a P/E of 10.3x (see Exhibit 1).

The group earnings are underpinned by revenues from the rollout of the mobile payment system for the Payback group in Germany, which is dominated at present by set-up charges. These results are reflected in the unconsolidated results. The group results represent principally the addition of earnings from the group's key operations in Turkey (UMT Turkey Mobil Anonim Sirketi, Istanbul), Spain (Mobile Payment System Espana S.L. Barcelona), Latvia (iPAYst LLC, Riga) and Austria (Delinski GmbH, Vienna).

The company also recently opened a subsidiary in the US, which should drive the growth of its mobile payment services into that region. UMT's successful launch of mobile payment services in Germany for Amex-owned Payback could help the group to establish itself in North America, particularly if Plenti, Amex's US-based loyalty scheme, appoints UMT to create its mobile payments system.

Exhibit 1: Interim earnings summary

€000s	H116	H116	H116	H115	2015	H115
German GAAP	Consolidated	Unconsolidated	Unconsolidated as % of consolidated (%)	Unconsolidated	Unconsolidated	Unconsolidated % of FY (%)
Revenue and operating income	2,305.0	1,251.2	54.3	1,097.5	3,044.5	36.0
Capitalised own software development	450.0	0.0	0.0	0.0	0.0	N/A
Total output	2,755.0	1,251.2	45.4	1,097.5	3,044.5	36.0
Cost of services	(54.0)	(0.0)	0.0	0.0	(1,399.9)	0.0
Gross profit	2,701.0	1,251.2	46.3	1,097.5	1,644.5	66.7
Gross margin (%)	98.0	100.0	N/A	100.0	54.0	N/A
EBITDA	N/A	796.0	N/A	462.7	625.5	74.0
EBITDA margin (%)	N/A	63.6	N/A	42.2	20.5	N/A
D&A	N/A	(4.0)	N/A	(2.8)	(6.1)	45.0
Operating profit	N/A	792.0	N/A	460.0	619.4	74.3
Net income	1,324.0	987.0	74.5	605.2	950.5	63.7
Net income margin (%)	48.1	78.9	164.1	55.1	31.2	N/A
Shares in issue average (m)	16.6	16.6	100.0	15.0	15.1	N/A
Earnings per share (c)	8.0	6.0	74.5	4.0	6.3	64.1
EPS annualised (c)	16.0	11.9	74.5	8.1	6.3	N/A
P/E (annualised)	8.1	10.8	N/A	16.0	20.5	N/A
EPS applying seasonality unconsolidated 2015 (c)*	12.5	9.3				
P/E applying seasonality unconsolidated 2015* (x)	10.3	13.9				

Source: UMT, Edison Investment Research. Note: *Calculated by grossing up the H116 consolidated EPS to reflect between the unconsolidated H115 and FY15 EPS.

Exhibit 2: Financial summary

Unconsolidated	€000s	2012	2013	2014	2015
Year end 31 December		German GAAP	German GAAP	German GAAP	German GAAP
PROFIT & LOSS					
Revenue		N/A	N/A	1,278	3,045
Cost of Sales		N/A	N/A	0	(1,400)
Gross Profit		822	1,304	1,278	1,645
EBITDA		399	529	102	626
Operating Profit (before amort. and except.)		397	527	100	619
Intangible Amortisation		0	0	0	0
Exceptionals		0	0	0	0
Other		0	0	0	0
Operating Profit		397	527	100	619
Net Interest		(223)	(41)	33	331
Profit Before Tax (norm)		174	486	133	951
Profit Before Tax (FRS 3)		174	486	133	951
Tax		133	(9)	(12)	(0)
Profit After Tax (norm)		307	478	121	951
Profit After Tax (FRS 3)		307	478	121	951
Average Number of Shares Outstanding (m)		10.7	11.7	13.6	15.1
EPS - normalised (c)		2.9	4.1	0.9	6.3
EPS - normalised and fully diluted (c)		2.9	4.1	0.9	6.3
EPS - (IFRS) (c)		2.9	4.1	0.9	6.3
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross Margin (%)		N/A	N/A	100.0	54.0
EBITDA Margin (%)		N/A	N/A	8.0	20.5
Operating Margin (before GW and except.) (%)		N/A	N/A	7.8	20.3
BALANCE SHEET					
Fixed Assets		8,506	9,586	10,211	10,062
Intangible Assets		0	0	0	0
Tangible Assets		7	8	10	17
Investments		8,499	9,578	10,201	10,045
Current Assets		798	3,548	5,744	8,438
Stocks		15	15	0	0
Debtors		601	1,589	4,399	6,697
Cash		19	1,841	1,331	1,717
Other		163	103	14	24
Current Liabilities		(1,712)	(2,248)	(2,372)	(2,415)
Creditors		(128)	(266)	(214)	(169)
Short term borrowings		(1,584)	(1,982)	(2,158)	(2,246)
Long Term Liabilities		0	0	(3)	(3)
Long term borrowings		0	0	(3)	(3)
Other long term liabilities		0	0	0	0
Net Assets		7,592	10,885	13,580	16,082
CASH FLOW					
Operating Cash Flow		1,025	(1,199)	(2,665)	(1,676)
Net Interest		(223)	(41)	33	331
Tax		0	0	0	0
Capex		1	(182)	(6)	(15)
Acquisitions/disposals		0	0	(623)	156
Financing		(800)	2,845	2,571	1,502
Dividends		0	0	0	0
Net Cash Flow		3	1,423	(689)	299
Opening net debt/(cash)		1,561	1,564	141	831
HP finance leases initiated		0	0	0	0
Other		(6)	0	0	0
Closing net debt/(cash)		1,564	141	831	532

Source: UMT United Mobile Technology accounts: Note: Per-share data calculated excluding treasury shares.

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