UMT

Outlook

Stepping out into B2C payments & blockchain

Software & comp services

As a result of its work with leading retailers in the Payback loyalty scheme, UMT is Germany's largest provider of white-label mPay services. Earlier this year the group took a decisive step into the B2C arena with the acquisition of prelado, an online German mobile phone top-up retailer. UMT plans to leverage its mPay know-how and retail contacts to drive an expansion of prelado's product range as well as to extend prelado's reach into other major EU countries. The group has also recently reached an agreement with solarisBank of Berlin to allow it to provide customers with full banking services as well as signing an MoU with blockchain specialist Coinsilium, to explore the use of blockchain technology in its service areas. UMT shares currently trade in line with the mPay small-cap sector on current year estimates. EV/revenues, and the current price implies free cash flow growth of 13.6% from 2021 in our reverse DCF analysis.

Year end	Revenue* (€000s)	PBT* (€000s)	EPS* (c)	EV/Revenue (x)	EV/EBITDA (x)	P/E (x)	Yield (%)
12/15	2,268	(916)	(5.8)	16.1	(46.3)	N/A	N/A
12/16	1,573	(1,501)	(9.1)	27.7	(40.8)	N/A	N/A
12/17e**	5,244	(419)	(2.2)	7.6	68.9	N/A	N/A
12/18e**	5,802	44	0.2	6.9	61.6	946.5	N/A

Note: *Revenue, PBT and EPS are normalised, excluding exceptional items and share-based payments. **Assumes planned debt for equity swap.

Payback onboarding and prelado drive earnings

The consolidation of B2C website prelado and growth in fee revenues from adding three major retailers to the Payback scheme resulted in a trebling in UMT Group's H117 revenues to €3.1m. Stripping out income relating to prior year development costs and financial asset sales, EBITDA grew from €0.2m in H116 to €0.6m in H117. Management guides for double-digit revenue and profit growth for FY17. We forecast a 233% increase in revenue and 19% growth in German GAAP EBITDA.

Synergy potential from new platform acquisition

In addition to the earnings growth potential from UMT's ambitious geographical and product expansion plans for prelado, the group should generate costs savings from transferring prelado onto UMT's IT platform and from UMT's use of prelado's advanced credit check software. We see the key risks from the acquisition as management's lack of experience in B2C markets and execution risk from the expansion strategy. New money laundering measures may also affect sales.

Valuation: Stock trading in line with sector

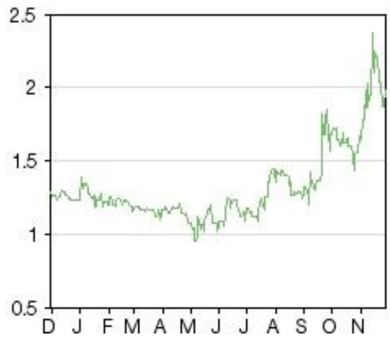
UMT shares have risen sharply on news of the Coinsilium MoU. They now trade in line with the mPay small-cap sector on current year forecast EV/revenues but at a 29% premium on the FY2 metric. The current price implies free cash flow growth of 13.6% from 2021 in our reverse DCF analysis. A recent equity issue and a planned debt for equity swap should result in 60% lower net debt of €2.9m by year end. We estimate that further equity funding of c €1.5m may be needed by YE20, depending on the sustainability of fee revenues for bringing companies onto mPay platforms.

28 November 2017

Price	**€1.98**
Market cap	**€37m**

Net debt (€m) at 30 June 2017	6.7
Shares in issue	18.6m
Free float	38.0%
Code	UMD
Primary exchange	Frankfurt (Xetra)
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	27.3	50.8	59.9
Rel (local)	29.5	41.1	31.6
52-week high/low		€2.4	€0.9

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.

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Investment summary

Widening scope

UMT has established itself as a major player in the European mobile payments (mPay) sphere with its successful launch of integrated mPay and loyalty point collection/spending services in Germany for the Amex-owned Payback scheme. Retailers in the scheme represent 45% of German retail market share and UMT has already rolled out services in businesses covering 25% of the German retail market. The scheme was awarded the Goldene Transaktion award in 2017 for best mobile payment solution. We see the potential for the group to make step-change gains in new mPay business if the Payback group or other major retail oriented groups adopt UMT's white-label mPay services in other markets. Helped by recent agreements with solarisBank and know-how from blockchain expert Coinsilium, new products in the payments and blockchain sphere could also create new revenues streams. We also see significant potential arising from the expansion of B2C platform prelado into other markets and products, although we note low barriers to entry and thin margins in the sector.

Financials: Net debt forecast to fall to €2.9m by year-end

The noteworthy aspects of UMT's financials can be summarised as:

- The consolidation of B2C website prelado and growth in fee revenues from technical support related to the addition of three major retailers into the Payback scheme resulted in a trebling in UMT Group's H117 revenues to €3.1m. Stripping out income relating to prior year development costs and financial asset sales, EBITDA grew from €0.2m in H116 to €0.5m in H117.
- Management guides for double-digit revenue and earnings growth for FY17. We forecast a 233% increase in revenue and 19% growth in German GAAP EBITDA.
- We forecast cash burn this year (operating cash flow net of investment) at €2.3m part funded by a €1.8m share issue in August. Helped by a planned debt-for-equity swap to reduce debt by €3.5m, which we assume takes place before YE17, we forecast net debt at year end to fall to €2.9m. We also note that UMT is considering a share buyback totalling 0.9m shares (value €1.8m) by May 2018, despite the current relatively tight liquidity situation. Based on our cash flow forecasts, we believe that UMT may have to come to the equity market by 2020 for €1.5m in funding in order to maintain a safe cash cushion.

Valuation: UMT in line with peers on CY EV/sales

UMT shares have risen sharply on news of the Coinsilium MoU and now trade in line with the mPay small-cap sector on current year forecast EV/revenues and at a 29% premium on the FY2 metric. The current price implies free cash flow (FCF) growth of 13.6% from 2021 in our reverse DCF analysis.

Sensitivities

UMT's white-label mPay strategy gives rise to the potential to leverage data crossing the platform into big data products and also to widen market scope. Nevertheless, key sensitivities include thin margins in terms of the share of merchant fees, and potential for contract non-renewal risk vs branded services. At present UMT also has high customer concentration with regard to its major client, Payback, but also has the potential to win significant new mPay business in other regions as a Payback preferred supplier. mPay businesses are sensitive to ongoing pressure on interchange fees for credit and debit cards and competition for dominance from tech majors. The recent acquisition of the pre-pay mobile top-up platform prelado represents a departure from the core business and core management competence, and exposes the group to a fast-moving, low-margin environment that may result in increased earnings volatility. There is significant complexity and limited granularity in the accounts and currently low levels of recurring revenues reduce the reliability of earnings forecasts. We estimate the potential need for €1.5m equity funding by 2020.

Company description: Leveraging all things mPay

Pioneer in the German mPay market

UMT is a software house with a proprietary white-label mobile payment and loyalty platform. It took its current form in 2011 and listed on the Deutsche Börse's Entry Standard segment in July 2012. The company launched mPay software in 2011, which in 2014 was rated "best mobile payment product" by PwC in a review of the German mPay market. In November of that year, the German arm of Payback, the Amex-owned loyalty scheme with 30 million members, awarded the company a contract to provide a white-label mobile payments platform in Germany as well as preferred partner status for Payback's schemes in the US, Poland, Italy, India and Mexico, with c 90m members.

To date UMT has rolled out integrated mPay and loyalty services to nine major German retailers, in the Payback scheme, generating start-up, platform maintenance and volume-based commission revenues. The success of its platform was recognised with Payback's scheme being awarded the Goldene Transaktion award in Berlin in 2017 for best mobile payment solution. UMT is also tendering to create more white-label B2C and B2B mPay platforms and looking to launch data products based on data crossing its platform.

In May 2017, UMT acquired a 51% stake in PEACHES Mobile GmbH, the owner of prelado, an online mobile top-up platform in Germany. In Q417, UMT acquired a 3.0% stake in blockchain venture builder and investment specialist Coinsilium. They signed an MoU to collaborate for a period of three months in applications for blockchain technology in mPay and B2C and exploration of the use of digital tokens as a medium of exchange for mobile payments with the aim of an eventual commercial agreement between the companies.

The group has five key subsidiaries/affiliates: UMS United Mobile Services GmbH (100%), the group's tech innovator and developer of its mPay platform; Mobile Payment Systems Espana SL (70%), iPAYst Riga (100%) and UMT Turkey (26%), founded to sell the group's mPay platforms in Spain, Italy, Central Europe and Turkey, respectively; and a 20% stake in the Spanish data-analytics company SEKS, with the right to increase this shareholding to 100%.

Strategy

UMT's key strategic objectives are:

- **Secure new contracts for white-label mPay technology** leveraging the know-how and reputational boost from the success of the German Payback contract.
- **Transform to a full-service operator** as a result of strategic cooperation with solarisBank of Berlin, with an offer including technical processing to payment and e-money solutions.
- **Leverage acquisition of German mobile top-up business prelado, via:** (1) international expansion, starting with Austria and Switzerland; (2) adding e-gift vouchers to its product range; and (3) prelado joining the Payback loyalty scheme to promote the platform and benefit from loyalty point exchanges.
- **Leverage widespread native integration of software in merchant POS** to allow lower-cost rollouts of mPay to retailers using POS systems in which UMT has already deployed software. UMT may also monetise these pathways by allowing other platforms to access them.
- **Build market share in big-data/analytics** leveraging data flows from its mPay platform.

Management: Experienced, innovative and connected

CEO Dr Albert Wahl has extensive experience in engineering, banking and start-ups. Before founding the consulting and venture capital firm GCI Management in 1997, he was employed at BMW, IBM and Deutsche Bank. CIO Erik Nagel has extensive banking experience. CTO Robert Schmiedler joined UMT in 2010 and developed the iPAYst concept. Previously, he worked at gaming and travel websites bwin and HitchHiker. CBDO Alexander Franckenstein has experience and understanding of tech investments and financial markets via the fund management industry.

Mobile payments market

The rise of the smartphone is a key driver of digital commerce (e- and m-commerce). Transactions via smartphones comprised 15% of worldwide retail sales in 2016, up from 9% three years earlier. This year McKinsey has forecast a global digital commerce CAGR of 12% to 2020 at which point digital commerce should take 24% of the total retail pie.

McKinsey expects m-commerce to expand from 5% of global retail spending in 2015 to 12% by 2020, representing a real CAGR of 19% assuming flat retail sales. With this impetus, growth in m-commerce is expected to outstrip that of e-commerce, which has already started to slow to single-digit levels of c 6% in EMEA and North America.

A very encouraging statistic for mobile payments' potential in Europe is a tripling in the proportions of Europeans who are regularly using mobile devices for payments to 54% between 2015 and 2016, according to Visa inc's 2016 Digital Payments study.

Another positive for the potential for increasing payment volumes are the findings in the study that (a) older (and therefore typically wealthier) consumers are catching up with millennials in their use of mobile payments and (b) a high proportion of users seem as comfortable making large purchases over mobile devices as everyday payments. In the UK, over 40% of mPay users purchase high-value items such as holidays and electronics on mobile devices as well as paying household bills and buying bus or train tickets. Similar trends have been reported by Criteo (2017), which found that the average order value (AOV) on mobile apps was 27% higher than on desktop in Q216, while the AOV on mobile browsers was only 9% lower than desktop during the same period.

Germany has tended to lag other European countries in the uptake of new payment choices (preferring cash and debit cards). Nevertheless, Visa estimated in 2016 that 6% of the population already paid with mobile devices at least once a day, while 40% of customers were regular users of mPay. It estimated that by 2020, 40% of Germans would use mPay at least once a week.

Mobile payments market growth – and the place for UMT

We think it likely that Germany, and to a lesser extent the EU, will maintain pace with the US in mobile payments adoption in coming years, given similarities to date in the m-commerce share of e-commerce (c 29% in the US and Germany, and >25% in all major EU countries [source Criteo]) and the efforts being taken by the EU to create a more level playing field for payment service providers (PSPs). On this basis, assuming that in-store mobile payments grow to 4.5% of current GDP, as indicated by Business Insider for the US, Germany and Europe, mobile payments could rise to €136bn and €658bn, in Germany and Europe, respectively, in 2019. A similar treatment of Forrester's mPay forecast implies a mobile payments market of €178bn in Germany and €863bn in the EU in 2019/20.

Helped by the enormous boost provided by the Payback program (our forecast of €8.9bn mPay transactions in 2019/20 is 5.0% of the above German market forecast), we believe that UMT has the potential to power an 8% share of the German mPay market by 2019. With the planned roll-out of Payback in other countries, we believe UMT has the potential to power a c 3% share of the EU market, or €26bn, in 2019/20 helped by growth at its existing operations in Spain and Central Europe.

White-label mPay platform: Building block of business

The UMT platform

UMT's platform has been designed to appeal to retailers and loyalty schemes by addressing consumer ease-of-use concerns and integrating seamlessly with loyalty programs:

- **Speed of payment**: it is similar to or faster than cash and cards
- **Caters to a vast majority of smartphones and shopping channels:**
  - *Systems***:** iOS, Android and Windows phones
  - *Connectivity*: Bluetooth, NFC, QR codes, Wi-Fi, barcodes
  - *Channels:* Online, POS, Print, TV, iBeacons
- **Standardised customer interface** in every outlet for ease of payment
- **Does not require the wallet to be pre-loaded by user:** can be linked to a debit/credit/EC card or bank account via a Single European Payments Area (SEPA) transfer mandate
- **Seamless integration with loyalty schemes** to incentivise consumers to use mPay

It also has significant advantages for merchants:

- **Technology agnostic** so no requirement for retailers to invest in new hardware
- **Simple for staff to operate** to avoid the need for expensive staff training
- **No third-party software required,** thereby reducing retailer outlays
- **Higher online conversion** through one-click checkout. This is a key issue for m-commerce with mobile sales per user conversion rates of only 2.7% vs 4.4% for desktops (Criteo 2015)
- **Scalability** helped by the tailoring of software to the major POS brands
- **Highly secure** complying with ISO 27001 based on German BSI IT Grundschutz

A key part of UMT's success in incorporating the above features into its platform has been its decision to undertake native integration of its software into the merchant's IT infrastructure. By undertaking all the "heavy lifting" at the merchant end, it has enabled quicker processing times, a simpler staff and customer interface and uniform functionality across stores.

Before switching to its white-label strategy, UMT honed its mPay product with merchant deals in the DACH region (Germany, Austria, Switzerland) as well as Spain, Turkey, Italy and Latvia. Customers included luxury restaurant chain Kuffler Group; Loden-Frey, a Munich department store; and the Four Seasons Hotel, Munich. It is also worth noting that Ernst and Young rated iPAYst in the top three "best in class" mobile payments operators in June 2014, with iPAYst rated highest in terms of overall B2B and B2C functionality. The move to a white-label strategy reflected the realisation that creating a branded product would mean loss of control to a partner to fund heavy marketing spend.

UMT's mPay proposition: Links with loyalty programs the key

We believe that a key advantage of UMT's white-label platform is its ability to integrate fully with loyalty programmes, not just providing for points collection but also enabling customers to purchase goods and services with their points and use digital and paper coupons for payments. The recommendation to retailers by mobile commerce consultancy Criteo, in its 2017 report on m-commerce, cuts to the heart of the advantage of UMT proposition: "To capture rising mobile AOV, retailers must focus on consumer security and convenience in the mobile checkout process."

PwC research in 2016 came to similar conclusions, citing a key barrier in the uptake of mPay has been the difficulty in convincing consumers that it is more convenient than a cash or card payment. As a result, the most famously successful mPay platforms, such as those used by Starbucks and Wallmart, have used loyalty schemes to incentivise customers to use them, with the most obvious tool being integrated and seamless loyalty program interactions.

Payback contract: Onboarding fees boost income

The Payback loyalty scheme came into being in Germany in 2000 and was later rolled out in Poland (2009), India (2011), Mexico (2012) and Italy (2014). Amex acquired Payback's parent company Loyalty Partners in 2011 and in 2015 it launched a similar loyalty scheme in the US owned directly by Amex, branded Plenti.

In November 2014 UMT won a tender to operate the mPay platform for Payback Germany as well as Preferred Partner status for expanding coverage to the rest of the Payback programme with its total 120 million active users. Being awarded the Payback Germany scheme was a major vote of confidence in UMT, given the importance of the scheme within the whole group. With 30 million active users, representing 36% of the German population. Payback's scheme is by far the largest loyalty programme in Germany, number two Deutschland Card being only one-third the size, and bigger even than Nectar in the UK. Based on usage alone, Payback Deutschland reports that the Payback card is the "number three" card in German wallets.

The rollout of UMT's white-label mPay platform commenced in June 2016. Since then UMT has signed on and rolled out the mPay and mobile loyalty points platform to eight large retailers: Galeria Kaufhof, ARAL, REWE, dm, Alnatura, real, TeeGschwendner and Thalia. This represents more than 13,650 stores with 66,500 retail outlets, which together generate approximately 25% of German retail sales volumes. The onboarding of the remaining companies in the scheme is likely to take several more years; while the individual firms are smaller, the 640+ retailers still to adopt the mPay solution represent a further 20% of the German retail market.

The service has been popular among Payback's 30m members. The app, which combines the loyalty and m-Pay functions, has been downloaded 13m times, 3.5m of these since the mPay launch. In 2017 the Payback app was awarded the Goldene Transaktion award at the Payments Exchange 2017 conference in Berlin for best mobile payment solution.

Customers are able to choose to pay via debit or credit card or via their bank account by SEPA mandate. UMT's software also enables payment by vouchers and promotion redemptions as well as enabling cash withdrawals at retailer cashpoints. Users can also keep track of their points on the app, rather than via in-store terminals, as required for users of paper coupons.

For the purposes of our forecasts (in the absence of a published breakdown of mPay use customers), we assume that 28% of the assumed YE 13m Payback app users (3.6m) had used mPay by end 2017 and this rises to 5.7m in 2018 based on our forecast of a 9% increase in app downloads to 14.2m, and an increase from 30% to 40% of app users who use mPay. We see this level of growth as being supported by the large number of retail outlets added to the scheme over the last 12 months, most particularly the addition of REWE branded stores in H117, which consist of 3,300 outlets across many cities and towns in Germany (out of a total 15,000 European stores in the REWE group), as well as the expectation of further Payback member stores starting to offer mPay during 2018, which should bring many people into their first regular contact with mPay facilities. Other factors we see as encouraging greater take-up of mPay in Germany than thus seen in markets such as the US are:

- the incentive of convenient coupon activation;
- Payback's marketing power, encompassing TV and other media advertising;

- the large range of physical and online stores within the scheme;
- the convenience of using the mPay function for both payment and points collection/use; and
- the confidence-boosting uniformity of the system across all smartphones and mobile devices.

We also see good prospects for UMT to continue as Payback's platform operator after the end of its current contract term. This is because in addition to the merits of its system, UMT is likely by then to have embedded its mPay technology into the POS systems of Payback's partners worldwide.

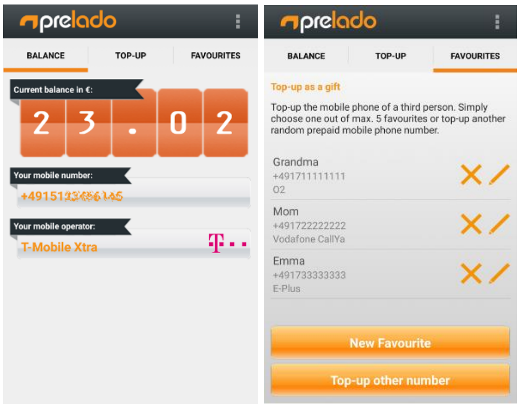
prelado: B2C platform with synergies, scope to expand

In May 2017 UMT announced a cash and shares acquisition of a 51% stake in PEACHES Mobile GmbH, the owner of prelado, a leading German online vendor of digital pre-paid mobile top-up cards/transactions.

Prelado derives 85-90% of its revenues from mobile phone top-up cards for more than 50 German mobile operators, and the bulk of the remainder from payment services. Payment services on offer include Sofortuberweisung (a leading EU payment brand), Giropay, MasterCard, Visa, American Express and PayPal. Prelado's website has attracted a Trustpilot rating of 9.6, which we believe supports the potential of UMT to successfully add new mPay services based on customer trust.

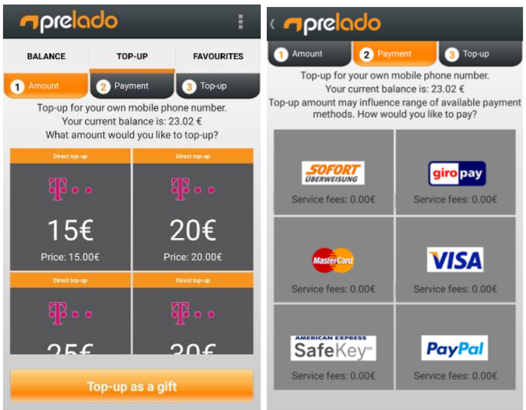
Prelado sources mobile phone top-up cards direct from Germany's mobile operators, including Aldi and Lidl, as well as from card resellers. It is able to retail the cards for an average 5% mark-up as well as benefiting from a tendency of many customers to not use the last 10-20% of credit on cards purchased, which can be retained by the card seller after two years. The company has 203,000 customers in Germany with marketing largely via search engine optimisation. prelado also has advanced plans to launch sales of e-gift cards with retailers including Zalando, Amazon, Saturn, Media Markt, OBI, Douglas, Starbucks and Thalia.

Exhibit 1: prelado screenshots – mobile balance and gift-top up functions



Source: prelado.de

Exhibit 2: prelado screenshots – T-Mobile phone top up and payment choices



Source: prelado.de

Mobile phone top-ups: A key part of the alternative payments ecosystem

According to Accenture Consulting (2017), more than a third of the world's adult population make little or no use of formal financial services. The majority of these people are found in low and middle-income emerging markets but also according to Accenture even in high-income countries large numbers of people do not use banks to help meet their daily financial needs.

In this vacuum, given that the vast majority of the world's population have mobile phones, mobile phone top-ups have become a key payment method in many populations. Accenture estimates that the banking sector loses $380bn per annum from not serving these populations and businesses, while communications firm IPsmarx estimates that 75% of mobile money transactions are made using airtime remittances, with global remittances totalling $414bn.

According to a GSMA Intelligence report of October 2016, the average cost of sending $200 using mobile money is 2.7% across 45 surveyed corridors, compared with 6.0% using global money transfer operators, giving rise to a strong incentive to use mobile phone top-up transfer as a money transfer tool.

The opportunity for mPay specialists such as UMT is to plug into this market and convert users to different mPay options, offering flexibility, etc, in return for taking more of the margin on transactions.

B2C Strategy

UMT made the purchase of PEACHES after the latter fell into insolvency in early 2016. We understand that this did not have a material impact on the business, which was supported financially by a major shareholder, which still has a 49% stake in PEACHES. The acquisition was undertaken by a merger with a UMT subsidiary, which was backdated to 15 September, enabling the consolidation of PEACHES from that date, including the consolidation of €780k in revenues. UMT has announced that it intends to increase its stake in PEACHES over the next 12 months and that it is looking to extend the group's IP, licences and patents but as this does not appear to have been finalised we have not included such a stake increase in our financial forecasts.

The group also guided for revenues from Peaches in 2017 of €3.2-3.5m. UMT sees significant potential to boost earnings by the adoption of a strategy with the following planks:

- **Geographical expansion:** Initial relatively low-cost expansion into the fellow German-speaking Austrian and Swiss markets, followed by launches in larger market such as France and the UK.
- **Expand product range to coupons and e-discount vouchers:** Here the group will utilise existing retail contacts with loyalty program providers and is looking to sell gift cards (typically with discounts) for companies such as Zalando, Amazon, Saturn, Media Markt, OBI, Douglas, Starbucks and Thalia. It is also looking to innovate with targeted voucher offers for retailers with focused promotions (eg, on slow-moving stock lines). This sort of promotion should enable the group to increase revenue generation from its price-sensitive customer base.
- **Reduce costs by integrating the platform into UMT's Payment and Loyalty platform:** With a high proportion of customers using PayPal to pay for their purchases, UMT is also looking at the potential to cross-sell payment services.
- **Introduce new commission charges:** UMT is looking at the potential to introduce a small commission charge on sales of pre-paid mobile top-up cards, to bring prelado's operation into line with a number of other competitors who charge customer fees of 2-5%. We would expect this to boost margins, although at the risk of the gain being lost in lower revenue market share.
- **Increase disintermediation, with increased direct to business card creations using online vouchers to reduce purchases from card resellers:** This disintermediation has the potential to increase the gross margin by approximately 2-3 percentage points based on current reseller margins. It should be noted that prelado already deals direct with a number of retailers, including Aldi whose mobile phone service is responsible for approximately half of pre-paid mobile voucher sales.
- **Apply prelado's credit assessment software to group payment services:** Prelado's high-quality credit and risk management software was a key point of attraction of UMT for the acquisition. The software includes an analytics-based credit assessment engine, which UMT intends to incorporate into its own payment platform, adding to the group's earnings potential.

UMT also envisions prelado applying for membership of the Payback loyalty scheme at some point in the future. This would enable Payback members to use their Payback points to buy prelado products, adding to its market reach. This strategy comes with Payback membership costs, so this is not likely to take place until the business has expanded its product range to the point where the benefits justify the additional cost.

Recent research from Allied Market Research projects that the global pre-paid card market will grow at a CAGR of 23% between 2016 and 2022. One potential headwind for the market is expected changes in money laundering legislation, specifically the EU Directives PSD2 and the fifth money laundering directive, but also under discussion in other jurisdictions. These are expected to enforce transparency on payments via the internet, and to crack down on the issue of anonymous gift cards, which in turn is expected to choke off demand for use in money laundering as well as black-market payments.

Other risk factors for B2C sites are low barriers to entry, and the potential for tech giants or retail to try to push into the space with higher marketing budgets or customer tie-ins.

solarisBank: Full service payment capabilities

In June 2017 UMT reached an agreement with Berlin-based solarisBank, which has a full banking licence and extensive experience in the payments as well as general banking sphere. The cooperation will enable UMT to become a full service provider to its clients, operating under the umbrella of solarisBank's banking licence, and to create new services around mobile payments from payments processing and e-money solutions.

Another significant advantage of the cooperation is expected to be a reduction in mobile transaction fees (potentially falling to as low as 1-3bp) as a result of being able to deal directly with counterparties.

Coinsilium: Acquisition boosts blockchain capabilities

UMT is positioning itself to accommodate the growing demand for payments in cryptocurrencies as well as to develop its capabilities in blockchain technology for use with payments and big data applications.

During October, the company acquired a 3.0% stake in London-listed UK firm Coinsilium Group Ltd. On 7 November they announced the conclusion of a memorandum of understanding to collaborate for a period of three months in applications for blockchain technology in mPay and B2C and exploration of the use of digital tokens as a medium of exchange for mobile payments with the aim of an eventual commercial agreement between the companies.

At present payments specialist Terrastream, a wholly owned subsidiary of Coinsilium, is looking to provide funding to companies in the form of digital tokens sold directly to investors.

Coinsilium's latest development is the creation of a blockchain-powered platform for the generation of alternative funding solutions.

While management considers the stake strategic, UMT is very interested in learning from Coinsilium's blockchain expertise and gaining from its relationships and contacts with B2B businesses. If purchased at the share price of $0.07, we calculate that the 3% stake would have cost approximately $260k.

Sensitivities

The key sensitivities for UMT are as follows:

- **Payback customer concentration/renewal risk:** Payback is by far UMT's largest customer. This year may be the peak year for onboarding revenues from Payback Germany, making it necessary to win contracts in other Payback countries or elsewhere to grow revenues.
- **White-label service vs branded service risks:** Adopting a white-label strategy is enabling UMT to compete for larger contracts but means lower margins and contract termination risk.
- **Potential upside surprise from data analytics business,** particularly in the event of a faster than expected take-up of mPay by Payback subscribers, and therefore bigger data flows.
- **Exposure to contraction of interchange fees:** UMT typically structures its fees to include a share of card fees, so pressure on credit or debit card fees is likely to have a knock-on effect.
- **Dynamic market likely to produce winners and losers:** UMT operates in the highly dynamic mobile payments space. New entrants and technologies that allow for ongoing market disruption and larger players such as Apple, Google and Facebook may make it difficult for smaller operators without niche market positions or white-label contracts with larger players to survive.
- **The group publishes consolidated accounts** constructed using German accounting principles. It nevertheless does not fully eliminate inter-company debts. In addition, the subsidiaries iPayst Riga (which as of H117 accounts had not published 2016 results) and Mobile Payment System Espana S.L. Barcelona have been excluded from consolidation on materiality grounds, which affords a lower level of transparency than from IFRS accounts.
- **Reliance on third-party data to power big-data business**: Under UMT's current strategy, it is reliant on the use of third-party data crossing its platforms to generate its big-data products.
- **New EU data legislation** may severely restrict the availability of data to the big data business.
- **Reliance on key employees:** UMT's position in a highly competitive area makes it important to maintain an edge in its products, which depends on retaining and recruiting key technical staff.
- **Potential share issue:** We believe UMT will look to add to its cash reserves over the next 12-18 months to maintain its cash cushion at safe levels. Based on our financial forecasts, we estimate that the group will require c €1.5m in equity funding by 2020 (see Financials section below).

Financials

Earnings: prelado acquisition boosts H117 earnings

UMT experienced substantial one-off revenue inflows from retailers in the Payback loyalty scheme in 2015 and 2016 as its m-Pay technology was incorporated into the payment systems of five major retailers. In July of this year, the company completed the addition of 3,300 REWE-branded stores (part of REWE's supermarket group, which consists of 15,000 outlets operating under various brand names), TeeGschwendner and Thalia to the platform, bringing total retailers to eight. The company still has substantially more work to do to bring all the Payback members onto its mPay and loyalty platform. We estimate that it has only installed its systems on c 55% of the Payback members in terms of retail market share.

During 2016 reported revenues and other operating income including prior year development expenses rose 43% to €3.3m. Nevertheless, after adjustment to exclude recognition of prior year development expenses (which we have treated as an exceptional item) revenues fell 31% to €1.6m, despite the inclusion of €780k revenues from the consolidation of Prelado from 15 September 2016.

With the group continuing to spend on efforts towards winning other business, normalised EBITDA declined from a €0.79m loss in 2015 to a loss of €1.1m, with a knock-on effect to the normalised bottom line. At the reported level the group ended 2016 with a €207k net profit assisted by the inclusion in income of prior year development costs.

During H117 group revenues trebled year-on-year to €3.1m, helped by the above-mentioned onboarding in the Payback program (adding three major retailers) and the full period of consolidation of revenues from prelado. Based on the implied annual revenues for Peaches/prelado of €2.7m from 15 September 2016, we estimate that revenues from each of these two streams are likely to have contributed approximately half of the reported revenues. During H117 the group gross margin (after stripping out exceptional from other operating income; see note on Exhibit 3) declined from the 95.0% of H116 to 49.9%. This arose principally from the inclusion of low-margin B2C revenues from prelado. Assuming a 5% gross margin for prelado (the region guided by management) gives rise to an estimated implied gross margin from the underlying mPay business of c 89%, down from the 95% gross margin of H116 (see Exhibit 3).

Exhibit 3: Interim results summary/earnings forecast

German GAAP (€000)	H117	H217e	H116	H216	2015	2016	2017e	2018e
mPay revenues net of eliminations (est.)	1,657	687	1,031	(292)	2,262	738	2,344	2,467
Peaches/prelado revenues (est.)*	1,450	1,450	0	780	0	780	2,900	3,335
Revenue	**3,107**	**2,137**	**1,031**	**488**	**2,262**	**1,518**	**5,244**	**5,802**
Other operating income**	0	0	39	15	6	54	0	0
Total revenue incl. op income**	**3,107**	**2,137**	**1,070**	**503**	**2,268**	**1,573**	**5,244**	**5,802**
Change (%)	190	325	N/A	N/A	N/A	(31)	233	11
Total output	3,992	2,987	1,520	1,516	2,268	3,036	6,979	6,802
Cost of services	(2,442)	(2,282)	(504)	(1,945)	(1,215)	(2,449)	(4,724)	(4,408)
Gross profit	**1,550**	**704**	**1,016**	**(429)**	**1,052**	**587**	**2,255**	**2,394**
Gross margin (%)	49.9	33.0	95.0	N/A	46.4	37.3	43.0	41.3
Gross profit core business (e)	**1,478**	**632**	**978**	**(483)**	**1,047**	**495**	**2,110**	**2,220**
Gross margin core business (%, est.)	89.2	92.0	94.9	N/A	46.3	67.0	90.0	90.0
Gross profit prelado (e)	**73**	**73**	**0**	**39**	**0**	**39**	**145**	**173**
Gross margin prelado (%, est.)	5.0	5.0	0.0	5.0	0.0	5.0	5.0	5.2
Gross profit from other op. inc. (est)	**0**	**0**	**38**	**15**	**6**	**53**	**0**	**0**
Capitalised own software development	885	850	450	1,013	0	1,463	1,735	1,000
Opex	**(1,877)**	**(1,537)**	**(1,303)**	**(1,817)**	**(1,838)**	**(3,120)**	**(3,415)**	**(2,740)**
EBITDA (norm)	**558**	**17**	**163**	**(1,234)**	**(786)**	**(1,071)**	**575**	**654**
Change (%)	241.6	(101.4)	N/A	N/A	N/A	36.2	N/A	13.7
EBITDA (norm) margin (%)	**18.0**	**0.8**	**15.3**	**N/A**	**N/A**	**N/A**	**11.0**	**11.3**
Exceptionals	183	0	1,235	474	0	1,709	183	0
EBITDA (German GAAP)	**741**	**17**	**1,398**	**(760)**	**(786)**	**638**	**759**	**654**
Change (%)	(47.0)	(102.3)	N/A	N/A	N/A	N/A	18.8	(13.8)
D&A	(284)	(290)	(4)	(310)	(16)	(314)	(574)	(382)
Operating profit (normalised)	**274**	**(273)**	**159**	**(1,544)**	**(802)**	**(1,385)**	**1**	**271**
Operating profit (German GAAP)	**457**	**(273)**	**1,394**	**(1,070)**	**(802)**	**324**	**185**	**271**
Net interest expense	(229)	(215)	(65)	(73)	(115)	(139)	(443)	(253)
Associates	0	24	0	23	0	23	24	25
Profit before tax (normalised)	**45**	**(464)**	**94**	**(1,595)**	**(916)**	**(1,501)**	**(419)**	**44**
Profit before tax (German GAAP)	**229**	**(464)**	**1,329**	**(1,121)**	**(916)**	**208**	**(235)**	**44**
Profit after tax (normalised)	**42**	**(460)**	**89**	**(1,590)**	**(917)**	**(1,502)**	**(419)**	**44**
Profit after tax (German GAAP)	**225**	**(460)**	**1,324**	**(1,116)**	**(917)**	**207**	**(235)**	**44**
Net income margin (%)	7.2	(21.5)	123.7	N/A	N/A	13.2	N/A	0.8
Shares in issue average (m)	17.3	19.1	16.5	17.3	15.7	16.5	19.1	20.9
Earnings per share (cents)	**1.3**	**(2.4)**	**8.0**	**(6.4)**	**(5.8)**	**1.3**	**(1.2)**	**0.2**
Earnings per share normalised (cents)	**0.2**	**(2.4)**	**0.5**	**(9.2)**	**(5.8)**	**(9.1)**	**(2.2)**	**0.2**

Source: UMT accounts, Edison Investment Research. Note: *Consolidated from 15 September 2016. **Other operating income adjusted to exclude exceptional items. In 2016 this totalled €1.709m recognition of prior year development expenses and in H117 this included €183k in sales of financial assets.

Earnings outlook: High-margin onboarding, low-margin B2C

Management has guided for double-digit revenue and earnings growth for full year 2017. For the second half of the year we have assumed a lower level of revenues from the core mPay business (€0.7m after €1.7m in H117) as the H117 figure was boosted by the size and scope of the businesses brought into the Payback scheme. For the sake of our forecast, we have estimated prelado revenues at the same level as our H117 forecast at €1.45m, given that the company is yet to implement the planned expansion strategy. Following on from the trebling in revenues in H117, this translates into a 233% increase in full year 2017 group revenue to €5.2m. We note that this growth rate is substantially above management guidance but reflects the strong trend already evidenced in H117. We have assumed a full year gross margin of 90% in the core mPay business and 5% at prelado, giving rise to a 43% group gross margin and gross profit of €2.3m, translating into an adjusted EBITDA profit of €0.6m after a loss of €1.1m in 2016. Increasing interest expenses are nevertheless expected to push the group into a reported loss at the net level of €0.2m, rising to €0.4m after normalisation.

Looking further out, strong growth and transformation of the prelado business represents a significant upside potential for the earnings profile of the group. Forecasting the mPay business in the short term with its currently high non-recurring fee based streams carries much greater uncertainty, depending as it does on the pace of businesses in the German Payback scheme signing onto the mPay platform and also the attainment of new customers as discussed above. We have conservatively forecast a 5% increase in mPay revenues in 2018 and a 15% increase in prelado revenues, the latter reflecting the expected benefit of geographical expansion. We have kept the gross margins at around the same level (a slight increase from 5.0% to 5.2% for prelado from increasing customer fees) leading to a slight increase in the group normalised EBITDA margin to 11.3%. With lower finance costs arising principally from our assumption of the completion of the planned debt for equity swap in 2017, the result is an emergence into net profit of €44k in 2018 at both the normalised and reported level.

Cash flow

We forecast cash burn this year at €2.3m part funded by a €1.8m share issue in August. Debt at year end is forecast to fall to €2.9m assuming capex levels of €2.7m and the successful completion of a planned debt for equity swap, which is intended to reduce debt levels by €3.5m by end 2017. We note that UMT is considering a share buy-back totalling 0.9m shares (value €1.8m) by May 2018, despite the current relatively tight liquidity situation. Moreover, based on our cash flow forecasts we believe that the company may have to come to the equity market by 2020 for c €1.5m in funding in order to maintain a safe cash cushion.

Balance sheet: Equity issues bringing down gearing

Net debt fell from €6.9m to €6.7m during the first six months of 2017, with cash reserves at 30 June of €0.3m. Although the company did not publish a mid-year cash flow statement, we believe that cash balances were assisted by €0.2m in cash flow from the P&L (net profit plus D&A) during H117. As of 30 June 2017, UMT Group's €7.0m in debt all derived from companies with which UMT has a shareholding relationship. Just under half at €3.3m had a maturity of over 12 months.

The group has a substantial weighting in its assets towards intangibles. As of mid-2017 80% of total group assets or €16.7m was comprised of intangible valuations of the assets of the B2C platform Peaches/prelado.

In August 2017 the company made a private placement of 1.22m shares at €1.5 per share, which raised €1.835m. The company also announced in July that it intends to make an issue of 2.33m shares for €1.5 per share, to effect a €3.5m repayment of a debt to SWM Treuhand AG. There has been no follow up statement to indicate that this has been completed, but for modelling purposes we have assumed that it occurs at end 2017. Helped by this we forecast the group ending 2017 with net debt of €2.9m, giving rise to net debt to equity of 17%.

UMT intends to acquire up to 900,000 shares (4.8% of outstanding shares) via stock exchanges by 30 May 2018, which at the current share price represents an outlay of €1.8m.

Valuation: Key drivers

We see a number of value-driver milestones that we expect to have an impact on UMT's valuation over the next two to three years:

- **Expansion of Payback mPay use in Germany and growth in transaction-based revenues:** UMT launched mPay to Payback's 28 million customers in Germany in June 2016. The group has already generated significant revenues from set-up fees and platform charges, which have the potential to peak this year, but still remain not far below current levels for the 12-18 months. Although we believe that platform fees are set at a low level, resulting in negligible revenue contributions at UMT to date, we expect rapid growth in mPay to allow UMT to generate commissions of c €1.1m by 2020.
- **Expansion of prelado B2C business** as discussed above.
- **Winning new white-label clients helped by solarisBank agreement:** Attracting new customers for UMT's white-label mPay services has been a frustrating process over the last 12 months. UMT has tendered for a number of B2C and B2B prospects helped by the reputational boost from the Payback win, but has not made any significant wins. We believe that the additional low-cost transactions enabled by the solarisBank agreement and the rapid expansion of mPay use have the potential to result in bigger breakthroughs this year.
- **Roll-out across other Payback regions (2018/19):** After the successful 2016 launch of mPay in Germany we see the potential for Amex to rollout mPay to the bulk of Payback's 90 million customers in other countries around the world. Amex recently commissioned a report to assess all aspects of UMT's platform, which we understand resulted in positive feedback.
- **Growth in big data business (2018/19):** UMT management plans to use the data passing over its mPay platform to fuel growth in its big data analytics business. With analytics expertise in SEKS in Spain (20% owned, with an option for 100%), the group expects to generate sizeable revenues from data products with a potential major boost to valuation. A major challenge in this space is that it is highly competitive and the increasing recognition by enterprises of the value of their data.
- **Enabler fee revenues (2017/18):** A potential revenue stream could open up if competitors are willing to pay UMT to use the software pathways it has built into the tills of Payback members.
- **Legislation creating a more level playing field with banks (2017/18):** New EU legislation, most notably PDS2, is expected to favour new third-party players in the payments field such as UMT. The legislation is likely to be implemented across European countries during 2017/18.
- **Industry consolidation/takeover potential (2017/18):** The FinTech sector has expanded rapidly in recent years resulting in many well-funded players looking to make acquisitions. With its contract with Payback, ownership of software embedded in POS terminals and high potential in data analytics, we believe UMT to be an attractive market player.
- **Growth in competition/emergence of new mPay leaders (2017/18)**: Tech giants such as Apple, Amazon, Google, Samsung and PayPal and disruptive technology of mPOS developers such as Stripe are likely to produce new leaders over the next 12-24 months. We think this competition could boost demand for UMT's white-label services while putting pressure on margins. Having additional revenue streams such as data analytics should also reduce risk.

Peer and reverse DCF valuations

UMT shares have risen sharply following the news of the MoU with Coinsilium to work together to create payments products using blockchain technology. Helped by this, UMT shares currently trade in line with its mPay small-cap peers on a current year forecast EV/revenue multiple of 7.7x, but a premium of 29% based on FY2 forecast metrics (see Exhibit 4).

Exhibit 4: Valuation comparison

Name	Price – reporting currency	Market cap ($m)	Sales FY1 (m)	EBITDA margin 1FY (%)	EV/ sales 1FY (x)	EV/ sales 2FY (x)	EV/ EBITDA 1FY (x)	EV/ EBITDA 2FY (x)	P/E 1FY (x)	P/E 2FY (x)	Div yield last (%)
UMT	**2.02**	**44**	**6**	**14.5**	**7.7**	**7.1**	**70.2**	**62.7**	**neg.**	**965.6**	**0.0**
Average mPay small cap	**28.7**	**1,885**	**449**	**14.8**	**7.6**	**5.5**	**3.6**	**20.5**	**36.9**	**165.2**	**1.2**
Average mPay large cap	**92.6**	**99,853**	**13,653**	**43.5**	**10.3**	**8.8**	**43.1**	**29.0**	**55.0**	**38.0**	**0.4**
Average e-commerce disc.	**134.0**	**52,433**	**18,245**	**11.9**	**2.9**	**2.4**	**24.1**	**19.7**	**51.2**	**41.6**	**0.6**
Small-cap mobile payments											
BANGO PLC	2.3	202	4	(31.3)	35.4	19.3	(113.1)	73.5	(51.1)	1,150.0	0.0
EARTHPORT PLC	0.2	129	41	(15.8)	2.1	1.6	(13.3)	(39.1)	(10.6)	(17.6)	0.0
GK SOFTWARE AG	112.1	249	95	14.7	2.2	2.0	15.3	10.5	33.1	19.6	0.0
Link Mobility	117.0	204	1,240	9.3	1.6	1.0	17.4	8.4	111.1	15.5	N/A
Paypoint PLC	9.2	835	141	44.2	4.1	4.0	9.3	9.2	15.1	14.7	4.9
Paysafe Group PLC	7.8	3,792	1,152	29.7	3.5	3.1	11.7	10.5	16.2	14.4	0.0
Safecharge International	3.9	577	112	30.4	4.2	3.7	13.7	12.0	19.8	18.0	4.2
WORLDPAY GROUP PLC	4.1	10,935	1,248	41.1	7.4	6.8	17.9	15.7	31.0	26.6	0.5
Large-cap mobile payments											
Visa Inc, Incl A shares	111.5	230,885	20,108	71.6	11.9	10.8	16.6	14.9	27.4	23.5	0.6
PayPal Holdings	77.8	93,473	12,974	26.2	6.8	5.7	26.1	21.7	41.5	34.3	0.0
MasterCard Inc	152.5	161,457	12,439	58.1	12.8	11.3	22.1	19.2	33.5	28.4	0.5
Square Inc - A	48.1	18,675	967	14.0	18.8	14.2	133.7	73.7	190.0	108.0	0.0
American Express	94.4	81,948	33,310	N/A	3.2	3.0	N/A	N/A	16.1	14.6	1.3
Vantiv Inc - A	71.3	12,681	2,117	47.7	8.2	7.5	17.2	15.6	21.3	19.0	0.0
E-Commerce discretionary											
BCA Marketplace	2.0	2,057	2,249	6.6	0.8	0.8	12.6	11.5	18.8	16.7	3.4
EBay Inc	36.0	37,563	9,565	36.3	4.3	4.1	12.0	11.2	17.9	16.1	0.0
MercardoLibre	268.8	11,868	1,359	14.6	8.5	5.9	58.1	57.2	104.4	96.9	0.2
Etsy Inc	16.9	2,061	437	16.8	4.0	3.4	24.0	16.5	47.0	47.4	0.0
Liquidity Services Inc	5.6	176	273	(6.7)	0.2	0.2	(3.4)	(4.1)	(6.1)	(9.4)	0.0
ASOS PLC	6.1	51	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.0
Boohoo.com PLC	58.2	6,448	2,430	7.0	1.9	1.6	27.9	22.0	59.9	47.9	0.0
Yoox Net-A-Porter Group	1.8	2,813	555	9.3	3.6	2.6	38.8	28.4	66.0	52.8	0.0
Zalando SE	28.6	4,509	2,107	8.1	1.8	1.5	22.1	16.6	69.1	46.8	0.0
Amazon.com PLC	42.3	12,307	4,498	6.1	2.1	1.7	34.0	27.4	78.0	62.4	0.0
Wilmington PLC	1,139.5	549,089	177,098	10.6	3.2	2.5	30.2	22.3	97.9	70.8	0.0

Source: Edison Investment Research, Bloomberg. Note: Priced as of 22 November 2017.

Our reverse DCF shows that the current share price can be justified based on our 2021 forecast free cash flows and a WACC of 15%, if the terminal growth rate from that point averages 13.6%. Our calculation incorporates net debt at end-2016 adjusted for subsequent share issues.

Exhibit 5: Reverse DCF valuation, €m

Current share price (€ per share)	2.02
Number of shares (m)	**18.56**
Market capitalisation at current share price and number of shares*	**37.5**
Terminal growth rate (TGR) from 2021 required to achieve current share price	**13.6%**
WACC	15.0%
FCF in 2021e	0.9
2021 value of FCF from 2021, using 15% WACC and required TGR (€)	71.4
PV of 2021 TV in 2017 applying 15% WACC	40.8
PV of FCF 2017-2021 in 2017 applying 15% WACC	(1.8)
Total PV of future cash flows	39.0
Net debt end 2016, net of cash from share issues*	1.5
Equity valuation derived from PV of cash flows	**37.5**

Source: Edison Investment Research. Note: *Excludes share issues and debt reduction from planned debt for equity swap, which we have assumed will take place by end-2017.

Exhibit 6: Financial summary

Consolidated German GAAP	€000s	2015	2016	2017e	2018e
Year end 31 December		German GAAP	German GAAP	German GAAP	German GAAP
PROFIT & LOSS					
Revenue (excluding exceptional income)		2,268	1,573	5,244	5,802
Cost of Sales		(1,215)	(986)	(2,989)	(3,408)
Gross Profit		1,052	587	2,255	2,394
EBITDA (norm)		(786)	(1,071)	575	654
EBITDA (German GAAP)		(786)	638	759	654
Operating Profit (before amort. and except.)		(802)	(1,385)	1	271
Intangible Amortisation		0	0	0	0
Exceptionals		0	1,709	183	0
Other		0	23	24	25
Operating Profit (German GAAP)		(802)	324	185	271
Net Interest		(115)	(139)	(443)	(253)
Profit Before Tax (norm)		(916)	(1,501)	(419)	44
Profit Before Tax (German GAAP)		(916)	208	(235)	44
Tax		(1)	(1)	0	0
Profit After Tax (norm)		(917)	(1,502)	(419)	44
Profit After Tax (German GAAP)		(917)	207	(235)	44
Average Number of Shares Outstanding (m)		15.7	16.5	19.1	20.9
EPS - normalised (c)		(5.8)	(9.1)	(2.2)	0.2
EPS - normalised and fully diluted (c)		(5.8)	(9.1)	(2.2)	0.2
EPS - (German GAAP) (c)		(5.8)	1.3	(1.2)	0.2
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross Margin (%)		46.4	37.3	43.0	41.3
EBITDA Margin (%)		-34.7	-68.1	11.0	11.3
Operating Margin (before GW and except.) (%)		-35.4	20.6	3.5	4.7
BALANCE SHEET					
Fixed Assets		1,136	5,459	21,120	22,086
Intangible Assets		0	2,876	18,537	19,503
Tangible Assets		32	34	34	34
Investments		1,105	2,549	2,549	2,549
Current Assets		2,151	2,676	1,624	1,614
Stocks		0	1	3	3
Debtors		8	175	402	392
Cash		1,803	304	1,000	1,000
Other		340	2,196	220	220
Current Liabilities		(1,798)	(4,091)	(5,255)	(5,494)
Creditors		(319)	(583)	(1,755)	(1,994)
Short term borrowings		(1,478)	(3,507)	(3,500)	(3,500)
Long Term Liabilities		(250)	(3,742)	(506)	(1,097)
Long term borrowings		0	(3,676)	(406)	(992)
Other long term liabilities		(250)	(66)	(100)	(105)
Net Assets		1,240	302	16,983	17,109
CASH FLOW					
Operating Cash Flow		N/A	382	1,817	1,015
Net Interest		0	(139)	(443)	(253)
Tax		0	(1)	0	0
Capex		N/A	(3,191)	(2,735)	(1,348)
Acquisitions/disposals		N/A	(1,434)	0	0
Financing		N/A	(2,858)	5,335	0
Dividends		0	0	0	0
Net Cash Flow		N/A	(7,240)	3,973	(586)
Opening net debt/(cash)		N/A	(325)	6,880	2,906
HP finance leases initiated		N/A	0	0	0
Other		N/A	36	0	0
Closing net debt/(cash)*		(325)	6,880	2,906	3,492

Source: UMT accounts, Edison Investment Research. Note: *We have assumed 2.33m shares are issued at €1.5 per share by end 2017 to effect repayment of debt. Other operating income adjusted to exclude exceptional items. In 2016 this totalled €1.709m recognition of prior year development expenses and in H117 this included €183k in sales of financial assets.

Contact details	Revenue by geography
Brienner Str. 7 Munich 80333 Germany +49 89 20 500 680 www.umt.ag	N/A

Management team	
CEO: Dr Albert Wahl	**CTO/Co-founder: Robert Schmiedler**
After completing a degree in engineering management and a doctorate in Germany and the US, Dr Wahl worked for BMW, IBM and Deutsche Bank before founding the predecessor of MS Industrie AG and joining UMT in 2010.	Robert Schmiedler is the originator of the iPAYst mobile payment platform. Before joining UMT in 2009 he was a .NET Developer at bwin and HitchHiker.
CIO: Erik Nagel	**CBDO: Alexander Franckenstein**
Erik Nagel became CIO/CMO of UMT in 2013 having previously been a partner in Collineo Gruppe, an MD at Sal Oppenheim and Deutsche Bank and founder of Sandbox Security.	Alexander Franckenstein joined UMT in 2015, prior to which he was MD of wealth management firm Focam Family Office and Ethna Capital Partners, having started his career at Julius Baer and then Oppenheim jr &Cie.

Principal shareholders	(%)
Investors TFI S.A.	9.5
Deutsche Asset Management GmbH	5.0
BayernInvest Kapitalanlagegesellschaft mbH	2.4
FOCAM AG	1.5
Copernicus Capital TFI S.A.	0.5

Companies named in this report
REWE, Thalia, ARAL, Kaufhof, real