

UMT UNITED MOBILITY TECHNOLOGY AG

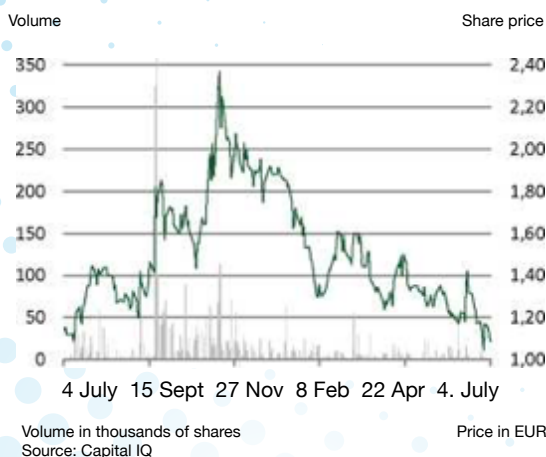
Recommendation	Buy
Price Target:	EUR 2.10
Price Potential:	+82 percent

Share Data

Price (previous day's close)	EUR 1.16 (XETRA)
Number of shares (in millions)	21.03
Market Cap. (in EUR millions)	24.3
Enterprise Value (in EUR millions)	26.2
Ticker	UMD
ISIN	DE0005286108

Price Performance

52-week high (in EUR)	2.49
52-week low (in EUR)	1.00
3 M relative to CDAX	-8.2 %
6 M relative to CDAX	-28.3 %



UMT AG is Germany's leading provider of mobile payment services. Its most successful product, Payback Pay, is already accepted at more than 70,000 points of sale and has been downloaded by about 15 million users. The rollout of the payment function with Payback partners in stationary retail, which began in mid-2016, should be completed next year. At that point, UMT should cover more than one-third of the market in terms of retail sales. We therefore believe that the company is an excellent position to benefit from the dynamic growth of the global mobile payment market (CAGR: 2017-19e: 17.7%).

Unlike leading international providers like Apple Pay and Google Pay, UMT's platform does not require a credit card, and instead allows users to execute transactions as SEPA direct debits. In other words, **UMT's solutions are perfectly tailored to the needs of German retail**. After all, only around 30% of German consumers have a credit card, and the high transaction fees are a burden for retailers. UMT's platform combines all the benefits of mobile payment, executing transactions at a very high speed (payment process nearly twice as fast as cash or credit card transactions) and integrating loyalty programs for customer retention.

The company's revenues more than quadrupled in the past year, and we expect to see **significant revenue growth once again** in 2018, with revenues climbing 71.2% to EUR 11.1 million. Growth should be driven largely by the improvement in licensing and transaction fees, noticeably decreasing the company's dependence on project-driven set-up fees and the low-margin B2C (Prelado) business. This positive product mix effect should allow UMT to **nearly double its EBIT margin in the current year, to 20.2%**.

The growth in transaction volume should **drive sales up even higher, to EUR 19.5 million** through 2021 (CAGR: 2018-21e: 20.5%). In addition to the continuing success of Payback Pay, growth should be boosted above all by UMT's "LOYAL" app, which will be ready for market in the second half. This app will allow users to combine third-party solutions as well as a unique payment interface. In addition, UMT should be able to process transactions independently of banks in the future, which will reduce costs noticeably. This, in combination with the high scalability of its business model, should result in a significant improvement in **EBIT margin** through 2021, to **36.5%**.

Shareholder Structure

Free float	34.0 %
SWM Treuhand AG	54.0 %
Level 86	4.00 %
Erik Nagel	4.0 %
Light Wave Consulting	4.0 %

Dates

Half-year report	September 2018
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Forecast Adjustment

	2018e	2019e	2020e
Sales (old)	11.1	15.8	17.9
Δ in %	-	-	-
EBIT (old)	2.2	4.7	6.0
Δ in %	-	-	-
EPS (old)	0.07	0.15	0.19
Δ in %	-	-	-

Publication

Initial study	5 July 2018
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Conclusion: We believe that UMT is at an important turning point right now. Now that the company has made massive advances in recent years in development of its platform technology and increasing market coverage, transactions on the platform should increase noticeably, along with scalable fees. We believe that the current market valuation, with a PER 2018e of 16.5x and a PER 2019e of 7.7x, in no way reflects the resulting sales and margin potential. We therefore begin coverage of UMT stock with a DCF-based price target of EUR 2.10 and a recommendation of "Buy."

Year ending: 31 December	2016	2017	2018e	2019e	2020e
Sales	1.5	6.5	11.1	15.8	17.9
Change	-32.9 %	328.3 %	71.2 %	42.1 %	13.2 %
EBITDA	0.6	1.3	3.2	6.0	7.8
EBIT	0.3	0.7	2.2	4.7	6.0
Net income	0.2	0.3	1.4	3.1	4.1
Gross profit margin	131.4 %	65.0 %	68.8 %	69.9 %	73.3 %
EBITDA margin	42.1 %	20.3 %	28.4 %	37.8 %	43.5 %
EBIT margin	21.4 %	10.9 %	20.2 %	29.4 %	33.5 %
Net Debt	6.9	3.6	3.5	3.7	1.8
Net Debt/EBITDA	10.8	2.7	1.1	0.6	0.2
ROCE	8.0 %	4.3 %	8.4 %	15.9 %	18.8 %
EPS	0.01	0.02	0.07	0.15	0.19
FCF per share	-0.13	-0.28	-0.08	-0.01	0.09
Dividend	0.00	0.00	0.00	0.00	0.00
Dividend yield	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
EV/Sales	17.2	4.0	2.4	1.7	1.5
EV/EBITDA	41.0	19.9	8.3	4.4	3.4
EV/EBIT	80.7	36.8	11.6	5.6	4.4
PER	115.5	57.8	16.5	7.7	6.1
P/B	80.7	1.0	0.9	0.8	0.7

This summary is a translation and only part of the study. The whole study is only available in German and can be requested at Montega directly, or be downloaded from the UMT website:

www.umt.ag

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