PAC PARTNERS

Equity Research

Mint Payments (MNW)

Aust/NZ breakeven; Asia to drive the price

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Key Points

- Mint Payments, which started in 2005, provides multi-channel (In-Person, Online, Mobile) payment solutions to 12,500+ merchants across the Asia-Pacific markets.
- A simple and highly-scalable business model with increasing recurring revenues & low marginal cost per user provides great opportunities for margin expansion.
- Two key distribution partners signed in 1H'16 (NETS and ABSS), open the door to 400k+ potential new customers.
- We initiate with a Buy recommendation and 12-month price target of $0.14/share – nearly double the share price.

Recommendation — Buy

Previous Recommendation	Initiation
Risk Rating	High
Current Share Price	$0.06
12 Month Price Target	$0.14
Price Target Methodology	50% DCF, 50% Multiples
Total Return (Capital + Yield)	152%
DCF Valuation	$0.17
Market capitalisation	$32m
Liquidity – Daily Value	<$0.1m

Pathway to Positive Cash flow

Mint currently provides multi-channel payment solutions to 12,500+ users predominantly across the Australian and NZ markets. With two newly signed contracts, the Company is now taking its validated technology and payment infrastructure to the fast-growing South-East Asia market.

Investment Catalysts:

- **Strong Revenue and EBITDA Growth** underpinned by favourable global trends and key distribution partnerships. We expect sales revenue to grow at a CAGR of 58% over the next 5 years, largely driven by user and transaction volume ramp up in the SEA region.
- We expect FY'18 revenue of at least $12.7m. Comparable businesses trade on 6-9x's '18F sales; which would drive a price of **$0.11 to $0.17/share** upon delivers and the same metrics.
- **Near Breakeven Point.** Mint revealed a solid sales pipeline in the 1Q'17, with increases in all of its KPIs *(e.g. net users, transaction vol'n & value)*. We expect the Aust/NZ operations to breakeven in FY'17 and business to start generating positive cash flow from FY'18.
- **Significant Market Opportunities in the SEA region**. Two significant partners were signed up in 1H'16 (NETS – equivalent to EFTPOS in Singapore and ABSS – MYOB Asia) to provide payment solutions to the SEA market. First product was launched in Sep'16. We expect user and total transaction volume & value to start ramping up in 2H'17 and beyond.

View:

We believe the Asian contracts that have recently been signed are not fully understood by the market, and hence not reflected in the share price. We initiate with a Buy recommendation and price target of $0.14/share. Our PT methodology is 50% DCF and 50% FY'18 revenue multiple. The risk rating is High due to contract execution risk and low share trading volume.

Milestones:

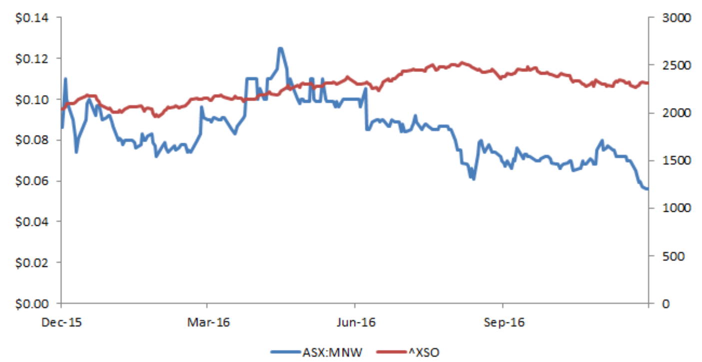
Feb'17 – mPOS solution launch with NETS ; FY'17 – Total active user of 20,000; FY'18 –Cash flow positive

Financial Forecasts & Valuation Metrics

Y/e Jun ($m)	2016A	2017F	2018F	2019F
Revenue	5.0	7.6	12.7	19.4
EBITDA	-5.1	-3.5	0.4	4.2
NPAT	-5.8	-4.2	-0.4	3.5
EPS (cps)	-1.3	-0.6	-0.1	0.5
DPS (c)	0.0	0.0	0.0	0.0
EV / EBITDA (x)	-6.8	-10.1	88.9	8.3
PER (x)	nm	nm	nm	11.0
Dividend Yield	0.0%	0.0%	0.0%	0.0%
Cash Balance	3.2	5.9	6.4	8.2

Source: PAC Partners estimates

MNW share price performance



Source: Iress

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SUMMARY SWOT

Strengths	Weaknesses
• Multi-channel solutions (In Person, Online, and Mobile) • Validated technology by key distribution partners • Self-owned payment infrastructure	• Delays in revenue ramp up • Weak balance sheet and negative operating cash flow • Low share trading volume – liquidity risk
Opportunities	**Threats**
• Changing spending habits – more card purchases, less cash • Fast adoption of mPOS terminals • Regulation tailwinds in the South-East Asia region	• Competition from large global players • Tight government regulation • Development of new technologies

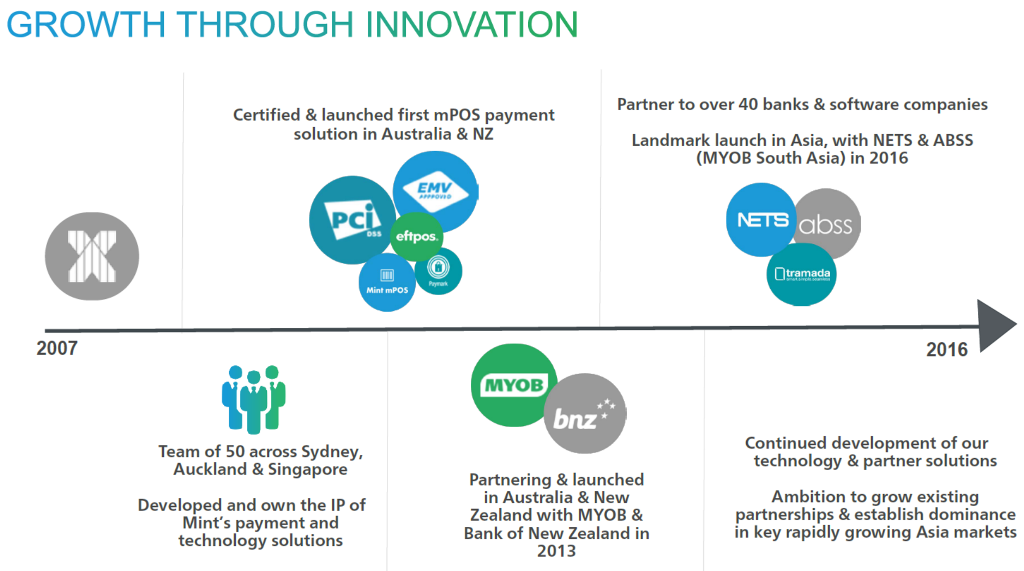
BOARD AND EXECUTIVES

Directors	Comment
• Terry Cuthbertson – Non-exec Chairman	• 1.6% shareholder, ex-partner of KPMG
• Alex Teoh – CEO & MD	• 15.1% shareholder, Co-founder, mgmt. consultant
• Andrew Teoh – Exec Director	• 14.8% shareholder, Co-founder
• William Bartee – Non-exec Director	• 0.2% shareholder, venture capitalist, ex SEK, ALT
• Anne Weatherston – Non-exec Director	• 0.1% shareholder, ex-CIO of ANZ
• Peter Wright – Non-exec Director	• 0.2% shareholder, 40+ years' experience in payment

Executive Summary

Vision: To be the most innovative, trusted & dominant omni-channel payments business in the Asia Pacific region.

Commencing operations in 2005, Mint has evolved into a multi-channel payment solution provider to the Asia-Pacific market place with validated technology and a simple, highly scalable business model.



Source: Company presentation Oct 2016

Investment Catalysts:

- **Changing customer payment habits**. In the past ten years, people around the world have gradually switched from cash purchases to card payments. In 2015, debit & credit card payments represented ~90% of total transaction volumes in Australia. The trend is expected to continue globally, and in our view, Mint is well positioned to capture the growth opportunities with validated technology and a solid platform.
- **Easy integration and hardware agnostic.** Unlike typical hardware vendors, Mint's technology and payment solutions are easily integrated with partners' platform, and it is hardware-independent. This promotes customer stickiness as well as recurring revenue. Mint's quarterly user churn has declined to 0.7% in 1Q'17.
- **Near breakeven point.** Mint has spent 10 years and ~$40m on its technology and platform, and we expect the Company to experience a significant inflection point in the near term. With existing contracts on hand, sales revenue and number of users are likely to ramp up over the next 3 years. We expect to see the Australian & NZ operations to be breakeven in FY'17, and the business will start generating positive cash flow in FY'18.
- **Significant market opportunities in the South-East Asia (SEA) region.** SEA market is expected to be one of the fastest growing payment markets in the world over the next five years underpinned by the huge population base and regulatory tailwinds. Mint has signed with NETS (equivalent to EFTPOS in Singapore) and ABSS (MYOB Asia) during 1H'16, and these contracts have opened up doors to 400k+ potential customers for Mint. Mint's first product, known as "Click and Pay" was launched in Sep'16, and we expect significant user and revenue ramp-up to occur in 2H'17 and beyond.

Investment View:

The stock experienced a sell-off over the past 6 month and the share price declined by 50%. We believe the valuation is cheap based on the newly signed contracts in hands. We initiate our coverage with a Buy recommendation and a price target of $0.14/share. The risk rating is High due to uncertainties with contract execution and low share trading liquidity.

Risks:

- **Highly competitive market** – Mint operates in a fast-growing and highly-lucrative industry. We saw a number of international players, as well as local banks, enter the market in the past few years. Increasing competition may erode Mint's market share and profit margin in the future.
- **Government regulation** – The Payment industry has always been one of the most regulated industries globally. However, this is also an opportunity for Mint as we have seen many counties (especially in the Asia-pacific region) have loosened regulatory requirements and, in turn, set out guidelines to promote healthy growth of the industry in recent years.
- **Customer uptake** – Mint's earnings profile is highly dependent on the uptake by customers of key distribution partners. Lower than expected take-up rates may result in significant downside to our earnings forecasts, and hence the valuation.
- **Technology change** – Mint operates in a fast-evolving industry. There are possibilities that new companies come up with more advanced technologies and capture market share rapidly. That said, Mint's payments acceptance technology is agnostic to payment type (credit card, debit card etc.), so has been somewhat "future proofed" depending on how consumer trends to preferred payment types evolve.

Company Overview

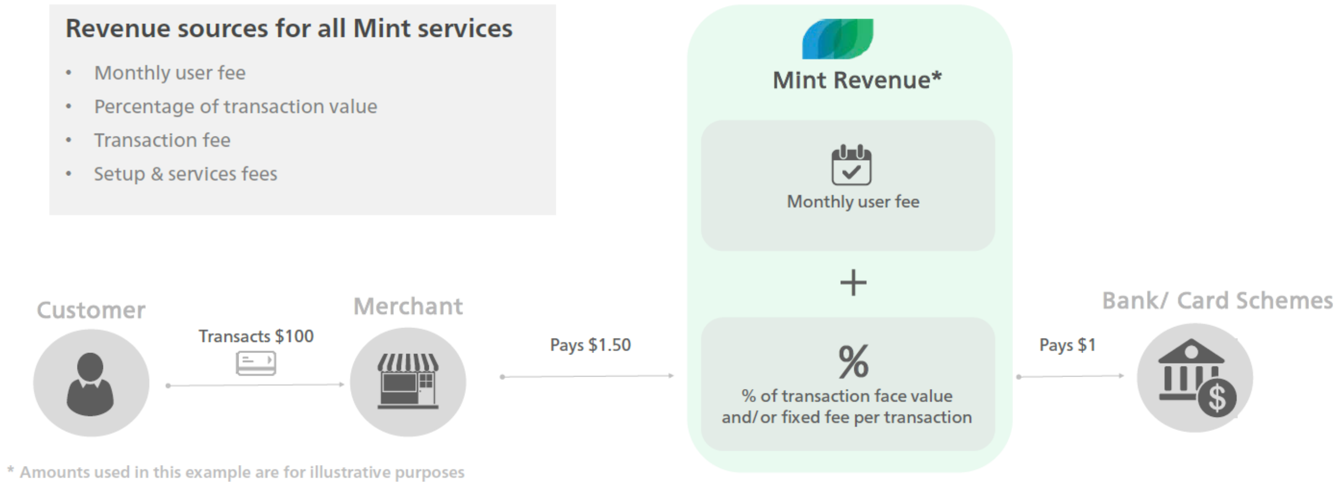
Mint provides multi-channel payment solutions to small business as well as large corporations:

- **In-Person** – Mint provides portable, pocket sized mPOS solutions, which accept all card types and with abilities to process contactless or chip-and-PIN payments.
- **Online** – Mint enable its partners to accept online payments through the website or online portal. This can be easily integrated with business software & invoicing applications e.g. MYOB's accounting software.
- **Mobile** – provides one-click "frictionless" checkouts & payments by mobile phones, using Mint's user credential tokenisation services. (e.g. Uber-type seamless payment via app)

Simple Business Model

Regardless which payment solution Mint provides to its users through distribution partners, Mint receives the following fees from its distribution partners:

- **User subscription fee**, for each customer using Mint's payment solution services, either directly or through its partners, Mint receives a monthly user fee. (We assume Mint receives a blended fee of ~$10/month per user)
- **A percentage (%) of the transaction face value**, typically with credit/debit card transactions. The total revenue is dependent on the average transaction value, as well as the total transaction volume.
- And/or **fixed fee per transaction**, typically with EFTPOS transitions. The total revenue is dependent on the total transaction volume.



Source: Company presentation Oct 2016

Key Distribution Channels

Mint identifies two main distribution channels:

- **Financial Institutions** – Mint provides white label & licensed product to large financial institutions e.g. Bank of New Zealand (BNZ), NETs etc. This channel provides Mint with access to financial institutions' large customer base, and saves significant upfront marketing costs. However, we expect Mint's bargaining power to be low in this space (i.e. lower share of transaction fees).
- **Software-as-a-Service (SAAS)** – Mint partners with business software providers e.g. integrating with MYOB's accounting software. We expect to see relatively higher transaction value & volume that are processed through this channel, and hence higher revenue for Mint.

We see the Mint's simple but differentiated business model providing following benefits:

- The indirect business model avoids expensive marketing costs, and is able to leverage off the large incumbent customer bases of its distribution partners.
- Interests are aligned with its partners. The higher consumer uptake, the higher transaction volume & values being processed, and hence higher revenue for Mint as well as its partners.

What's New?

Mint payments signed up two key distribution partners (NETS and ABSS) during 1H16, which opens the door to 400k+ potential customers across 11 countries in the South-East Asia region.

NETS is the equivalent to EFTPOS in Singapore, and is designated as the national payment system by the Monetary Authority of Singapore (MAS). NETS is jointly owned by Singapore's largest banks, DBS Bank, Oversea-Chinese Banking Corporation Bank (OCBC) and United Overseas Bank (UOB). We believes the partnership with NETS represents great validation of Mint's technology platform in Asia.

First product launched with NETS & ABSS (MYOB Asia)

The first product "Click to Pay" was launched in September 2016. This provides a simple electronic invoice option that allows merchants to accept debit and credit card payments online through "pay now" button" on an electronic invoice sent to the merchant's customer. NETS is acting as the bank acquirer. This solution is similar to Uber-type of payment solution.

The benefits to the merchants include getting paid faster, improving their cash flow, convenient for the customer as well as the merchant, with payments immediately integrated with MYOB accounting software, therefore reducing their need for reconciliations.

This is a relatively new technology in the region, so we expect take-up rates to be slow initially. We expect 1,000 merchants to add the services in FY'17 and 7,000 merchants by FY'19.

Filling the mPOS market gap

The evolution of POS terminals in Singapore is rather frustrating. In Australia, merchants usually have one terminal in each shop, and the terminal can accept all card payments from different banks. In Singapore, however merchants require several terminals (one for each of the major banks) in order to accept payments for different bank cards. This requires the merchants to lease multiple terminals to accept non-cash payments. By doing this, local Banks hope to generate more revenue by offering value-added services (set up accounts etc.).

Starbucks in Singapore

Source: Google

Mint's mPOS solution with NETS

Source: NETS

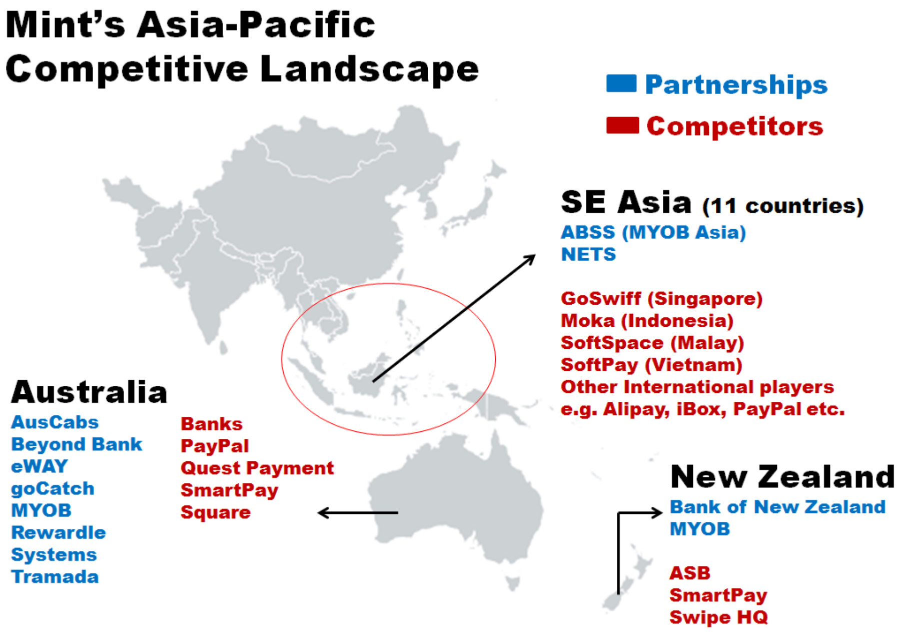
We believe Mint's mPOS solution with NETS fills a current market gap in Singapore perfectly. Instead of having multiple terminal, merchants can choose to have a single pocket-size NETS branded mPOS terminal and accept all different types of card payments. This reduces their terminal rental costs and indeed provides for simpler reconciliation between front–offices sales and banking/transaction/accounting records.

The first product is scheduled to launch in Feb'17, and is on offer to 95,000 NETS merchant customers. We assume 3,000 user uptake by the end of FY'17 (NETS already purchased 1,000 terminals) and 25,000 by FY'19.

In our view, Mint's Asia expansion is also underpinned by Macro tailwinds:

- **Rapidly growing & underpenetrated market.** The fast-growing population of smartphones and tablets is driving an Asian mPOS boom. According to a report recently published by Global Market Insights, the Asia Pacific mobile POS terminals market share was over 25% of global revenue in 2015 and is forecast to grow at 19.6% CAGR over the next 5 years. In particular**,** mPOS terminals will take on a significant role in businesses, handling 40 per cent of all retail transaction value by 2021, up from an expected 12 per cent in 2016, based on a recent note by Juniper Research.

- **Governments and regulators are promoting innovation.** A number of regulatory authorities in the region have set goals or guidelines for electronic payments. For example, In August 2016, the Monetary Authority of Singapore (MAS) together with KPMG Singapore, published a "Singapore Payments Roadmap" and articulated strategies to promote healthy electronic payments. The Reserve Bank of Malaysia also established payment card reforms in 2015 to foster a more efficient payment card industry in the country. However, on the other hand, regulators are encouraging competition in the region by bringing more services within the regulated regime, and to let more players compete on a level playing field.



Sources: Company Websites, PAC Partners estimates

The competition in the SEA region is expected to be fierce, but in our view, the partnership with NETS represents a great validator of Mint's technology and platform in the SEA region. Also Mint's track record & experience in Australia & New Zealand makes it well positioned to address the Asian market.

We believe so far these contracts are not fully understood by the market, and hence not reflected in the stock price. Notably, despite the fact that Mint's contract with ABSS covers 11 countries in the SEA region, our revenue model only includes Singapore, as products are expected to be launched in the near term Hence, we see great capacity for Mint to expand into other SEA countries (e.g. Malaysia etc.) in the near term.

Revenue Drivers

Our view on Mint's revenue ramp up in the short term is largely driven by the hardware sales and subscription fees generated from on boarding of new users. Mid-to-long term growth will be more likely driven by the transaction fees incurred using Mint's payment infrastructure.

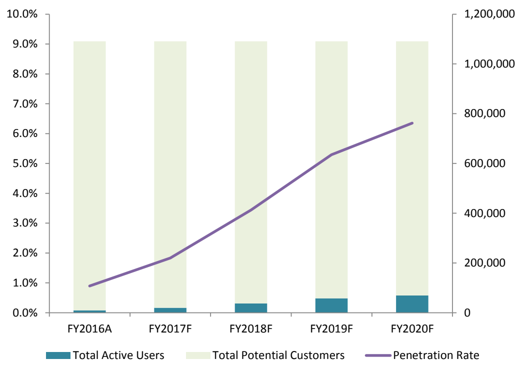
Y/e Jun	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F	FY2021F	FY2022F	FY2023F
Revenue ($mn)									
Hardware Sales	1.6	1.4	1.8	3.2	3.6	2.1	1.9	1.7	1.6
Subscription Fee	0.4	0.9	1.8	3.5	5.7	7.6	8.9	10.1	11.2
Transaction Fee	0.1	0.4	1.1	3.1	6.8	10.7	15.3	20.0	25.2
Others	1.8	2.3	2.8	3.1	3.3	3.3	3.6	4.1	4.6
Total	**3.9**	**5.0**	**7.6**	**12.7**	**19.4**	**23.7**	**29.8**	**35.9**	**42.6**
Key Assumptions									
Total Active Users ('000)	4.5	9.8	20.0	37.5	57.8	69.3	79.7	89.3	98.2
ARPU ($/month)	17.8	13.9	16.1	16.9	19.8	23.6	26.9	29.6	32.4
Transaction Nos. (#mn)	0.2	1.3	3.0	7.2	14.3	21.0	27.0	33.7	39.3
Blended Transaction Val ($mn)	24	171	447	1,294	2,858	4,402	5,962.9	7,809.7	9,552.4

Source: Company report and PAC Partners estimates

With existing contracts on hand, Mint has exposure to 1m+ potential customers via its distribution partners. The current number of active users implies a low penetration of only 1.1%. This provides great opportunities for Mint to work collaboratively with its partners to increase customer uptake.

Contracts Signed	Exposure
MYOB (Aug 2013)	300,000
BoNZ (Sep 2013)	100,000
AusCabs (Oct 2014)	500
Beyond Bank (Nov 2014)	200,000
Rewardle April 2015)	4,000
eWAY (July 2015)	20,000
goCatch (Sep 2015)	35,000
NYSE listed partner (Dec 2015)	11,000
Tramada Systems (Feb 2016)	300
ABSS (March 2016)	330,000
NETS (April 2016)	90,000
Total Potential Customers	1,090,800
Total Active users as at 31 Oct 2016	12,500
Implied penetration rate	**1.1%**

Source: Company and PAC Partners estimates

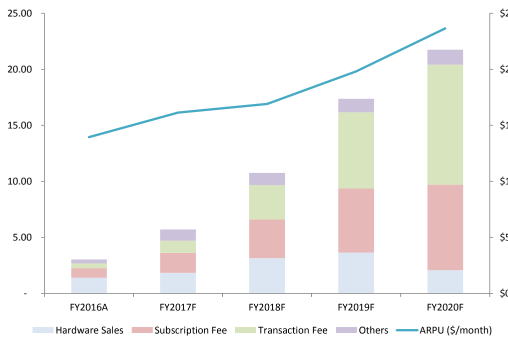


Source: Company and PAC Partners estimates

Our assumption on user ramp up in the short term is predominately driven by the NETS contract. The new product is scheduled for launch in Feb'17. We assume uptake by 3,000 users by FY'17 (NETS already purchased 1,000 terminals), and 25,000 terminals by FY'19 (vs Mint's target of 30,000) .

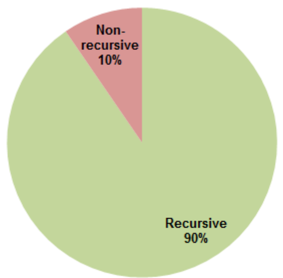
We expect the sales revenue to grow at a CAGR rate of 58% over the next five years. In particular, recurring revenue (i.e. subscription fee, transaction fee) will make up ~90% of the total revenue in FY'20 (currently 54% in FY'16).

Revenue forecasts



Source: Company and PAC Partners estimates

FY20 revenue breakdown



Source: PAC Partners estimates

Favourable Global Trend

Changing Payment Habits – Shifting from Cash to Card

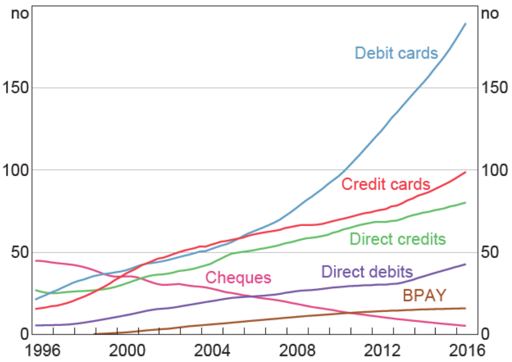
Empirical evidence has shown that customers in developed countries are increasingly paying for their purchases by cards instead of cash.

A report released by the Reserve Bank of Australia (RBA) in 2016 highlighted that the use of cash has gradually declined since 2007 as consumers shift to electronic payment methods, including for low-value transactions (less than $10). Debit and credit card payments have been growing rapidly in the past 5 years, with a CAGR of 13.4% and 7.9% respectively in terms of total number of transactions.

RBR forecasts that the number of cards worldwide will rise 28% from 13 billion at the end of 2015 to 17 billion by the end of 2021. In particular, MEA and Asia-Pacific will continue to be the fastest expanding regions, with projected growth rates of 49% and 35% over this period.

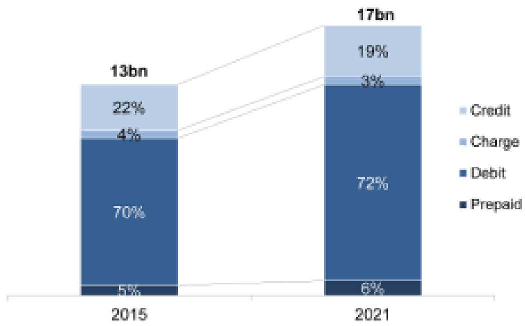
Non-cash Payments per Capita

Year to date



Sources: ABS; APCA; BPAY; RBA

Number of Payment Cards Worldwide



Sources: RBR

Mobile Point of Sale (mPOS) Evolution

In the past, point-of-sale systems included large and expensive hardware. In the last few years, mPOS systems have emerged that are heavily disrupting this space.

mPOS is a standalone device that connects or attaches to a smartphone or tablet and reads payment cards while also integrating into the retailers' payment and POS software. This presents a simple and effective way to accept payments.

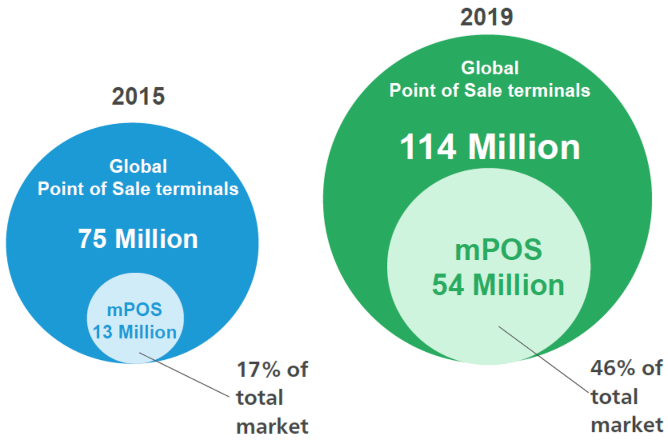
Example of traditional POS system

Source: Google

Mint mPOS system

Source: Mint's website

The expensive and overly-complex POS systems of the past are now being replaced by much more cost effective and user friendly mPOS terminals. In 2015, mPOS cannibalised 17% of total POS terminals global, and it is expected to grow more than four times to 54 million by 2019, representing 46% of total POS terminals.



Source: Company Presentation Oct 2016

Mint Payments is in the 'Sweet Spot'

In our view, mPOS is one of the most promising market segments in the fast growing global payment industry.

With validated technology and high-quality distribution partners, we believe that Mint is uniquely positioned to take advantage of the highly lucrative and fast growing mPOS market in the Asia-Pacific region.

Competition

The local mPOS market has become rather crowded in the past few years, with local banks and large international players entering the market:

- Some large local banks have launched their own products with internal R&D. For example, CBA spent ~$200m over 3 years on their own mPOS solutions (Capex model). Conversely, some banks chose to lease existing tech from 3rd parties (Opex model).
- PayPal launched its mPOS solution (PayPal Here) in 2016. One of PayPal's key competitive advantages is its 5.5 million existing active users in Australia.
- Square, the largest player in the US, launched its first product - Square Register in November 2014, and opened its Melbourne headquarters in May 2015. A more sophisticated version which accepts 'tap-and-go' card payments was released earlier this year.

Product	Card reader	Monthly Fee	Credit/debit	EFTPOS	Replacement	Cancellation
ANZ FastPay	Nil	$5	2.30%	30c	$130	$130
CBA Emmy	Nil	$30*	1.50%	1.50%	$250	$110
eWay	$25 P&H fee	$21	1.95%	30c	$350	$150 in 24 months
NAB Now	$100	$10	2.10%	40c	$350	Nil
PayPal Here	$49	Nil	1.95%	NA	Nil	Nil
Quest Pocket Pay	$71.5**	$23	1.82%	28c	$479	$360 in 24 months
Square	$59	Nil	1.90%	NA	Nil	Nil
Westpac Genie	$100**	$25	1.50%	1.50%	$100	N/A
Mint Payments	Nil	$30	1.75%	28c	$299	$199 in 12 months

*including monthly turnover of up to $1,500 transaction

**Currently being waived if sign up monthly plan

Source: Company websites and PAC Partners estimates

Although we believe competition in the local market is going be brutal over the coming years, we see Mint as well positioned to capture growth opportunities:

- **White label and customer-tailored solutions.** Mint's solutions can be deployed to large Enterprise customers quickly (e.g. ~3 weeks for hardware integration, ~3 months or longer for software integration). This saves significant R&D costs for established large enterprises to develop internally. None of Mint's peers provide white label solutions.
- **Multi–channel solution and competitive pricing structure.** Instead of scaring customers with large upfront costs for hardware, Mint, through its distributors, charges customers a monthly subscription fee. We expect Mint's model will, in time, produce more recurring revenue than some of its peers. In addition. Mint's mPOS solutions accept all types of payments, whereas Square & Paypal cannot process EFTPOS transactions.

Feature	Mint	Banks	Square*	Quest Payments	Smart Pay	Paypal
White Label Solution	✓	×	×	×	×	×
Easy Integration	✓	×	✓	✓	×	✓
Hardware Agnostic	✓	×	×	×	×	×
End-to-End Solution	✓	×	✓	×	×	×
Chip and Pin Ready	✓	✓	×	✓	✓	✓
Acquirer Agnostic	✓	×	×	✓	✓	×
Flexible Partner Pricing	✓	✓	×	×	×	×
Contactless Ready	✓	✓	×	✓	✓	×
Diverse Distribution Channels	✓	×	×	×	×	✓
Takes Clip of the Transaction	✓	✓	✓	×	✓	✓
Enable EFTPOS Transactions	✓	✓	×	✓	✓	×
Omni-channel	✓	✓	×	×	×	✓

*Mint's assessment based on Square's US operations

Mint's internal assessment based on publicly available information and market research. This slide is for illustration purpose only to demonstrate currently available capabilities in marketplace and may not reflect other company's future plans

Source: Company Presentation 2014

Comparable and Valuation

We find no direct competitors to Mint on the ASX. However, we have found three indirect competitors within the payment industry.

New start-ups Afterpay (2014) and ZipMoney (2013) are trading on large forward multiples with lower turnover than Mint in FY'16. We view these growth stories as having limited operational track records, so the current share prices are hard to justify.

Company Name	Market Cap (AUD$m)	Revenue (AUD$mn) FY2016	FY2017	FY2018	Forward PER (x) FY2017	FY2018	Forward EV/EBITDA (x) FY2017	FY2018
ASX Listed								
Afterpay	433	1.4	11.5	35.9	NA	47.3x	NA	28.0x
Emerchants	454	23.3	60.5	86.9	40.3x	23.0x	26.4x	14.5x
zipMoney Limited	209	4.3	20.4	22.6	220.0x	110.0x	NA	151.2x
International								
Nice IT	376	337	373	422	7.1x	6.1x	3.2x	2.9x
Square	5,617	904	1181	1492	NA	NA	38.0x	20.4x
PayPal	62,304	14372	16728	19477	22.6x	19.4x	13.2x	11.5x
VeriFone	2,571	2626	2571	2676	10.8x	9.7x	8.5x	8.1x

Source: Capital IQ and PAC Partners estimates

International peers tend to be more mature companies with $300m+ annual turnover.

Notably, Square was listed on NYSE in 2015 and is now valued at $5.6b. The company has 1.825m users. If we use a similar valuation methodology for Mint, assuming 37.5k users in FY'18, would give a valuation of $115m.

Revenue Multiples

The ASX-listed peers are trading at an average of 8.8 times FY'18 revenue multiples.

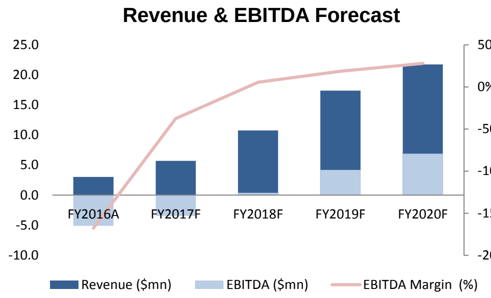
Ticker	Name	Mkt Cap ($mn)	FY18 Revenue ($mn)	Multiple (x)
ASX:AFY	Afterpay	433	35.9	12.0x
ASX:EML	Emerchants	454	86.9	5.2x
ASX:ZML	zipMoney	209	22.6	9.3x
			Average	**8.8x**

Source: Capital IQ and PAC Partners estimates

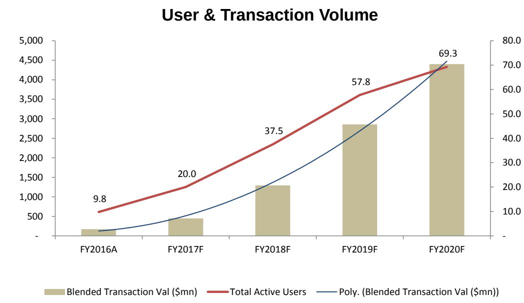
We expect Mint to generate sales revenue of $12.7m in FY'18. Applying a revenue multiple range of 6x (base, for the basis of our valuation) to 9x's (upper) drives a price of $0.11/share to $0.17/share.

DCF Valuation of $0.17/share

We expect user adoption and transaction volumes to ramp up in 2H'17 and beyond. Notably, if total transaction values are to grow exponentially, this implies great margin expansion based on the current business model. We expect Mint to start generating positive cash flows in FY'18.



Source: Company and PAC Partners estimates



Source: Company and PAC Partners estimates

Assumptions:

PV of Cashflows 2017 to 2026	52	Risk Free Rate	4.0%
PV of Term Year Cashflow	65	Equity Risk Premium	8.5%
Net Debt	3	Equity Beta	1.50
PV of Equity	**114**	Cost of Equity	16.8%
		Cost of Debt	6.0%
		Terminal Growth	2.0%
		After Tax WACC	**14.2%**
PV of Equity per share	$ 0.172		

Source: PAC Partners estimates

Our DCF model values the equity of Mint at $119m, which implies a stock price of $0.17/share. We see upside to our valuation if the Asian contracts are effectively implemented.

Investment Thesis – Buy with PT of $0.14/share

We believe the Asian contracts are not fully understood by the market.

We initiate coverage with a Buy recommendation, with a 12 month price target of $0.14/share based on 50% DCF and 50% base revenue multiple. This implies an upside of 152% to the current share price. The risk rating is High due to contract execution risk and low share trading volume.

Method	Valuation	Weighting
DCF	$0.17	50%
Revenue Multiple	$0.11	50%
Price target	**$0.14**	

Source: PAC Partners estimates

Mint Payments

NFPOS **572.6 m**

Price **$ 0.056**

Market Cap **$32.1 m**

PROFIT & LOSS ($m)

Y/e Jun	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F
Sales	2.3	3.0	5.7	10.8	17.4	21.7
Revenue	**3.9**	**5.0**	**7.6**	**12.7**	**19.4**	**23.7**
EBITDA	(6.6)	(5.1)	(3.5)	0.4	4.2	6.9
Depreciation & Amortisation	(0.3)	(0.3)	(0.3)	(0.4)	(0.4)	(0.4)
EBIT	**(6.9)**	**(5.4)**	**(3.8)**	**0.0**	**3.8**	**6.4**
Net Interest	(0.4)	(0.4)	(0.4)	(0.4)	(0.3)	(0.1)
Income tax	0.0	0.0	0.0	0.0	0.0	0.0
NPAT underlying	**(7.2)**	**(5.8)**	**(4.2)**	**(0.4)**	**3.5**	**6.3**
Less non-controlling Interest	0.0	0.0	0.0	0.0	0.0	0.0
Abnormal items	0.0	0.0	0.0	0.0	0.0	0.0
NPAT Reported.	**(7.2)**	**(5.8)**	**(4.2)**	**(0.4)**	**3.5**	**6.3**

BALANCE SHEET ($m)

Y/e Jun	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F
Cash	**3.4**	**3.2**	**5.9**	**6.4**	**8.2**	**14.9**
PP&E	0.2	0.2	0.1	0.1	0.1	0.1
Debtors & Inventory	2.3	3.0	3.4	3.9	4.8	5.2
Other Intangibles	0.5	0.5	1.0	1.6	2.3	3.1
Other Assets	0.9	0.4	0.6	0.9	1.0	0.9
Total Assets	**7.3**	**7.2**	**11.0**	**12.9**	**16.5**	**24.1**
Borrowings	6.0	6.0	6.0	6.0	3.0	1.7
Trade Creditors	2.1	1.8	2.1	2.3	2.9	2.8
Other Liabilities	0.4	0.5	0.4	0.4	0.4	0.4
Total Liabilities	**8.6**	**8.3**	**8.5**	**8.7**	**6.3**	**5.0**
NET ASSETS	**(1.2)**	**(1.1)**	**2.5**	**4.3**	**10.2**	**19.1**
Common Stock	**30.9**	**36.6**	**42.6**	**42.6**	**42.6**	**42.6**

Cash Flow ($m)

Y/e Jun	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F
Net Income	(7.2)	(5.8)	(4.2)	(0.4)	3.5	6.3
Non-Cash items	0.8	1.1	1.6	1.9	2.2	2.3
Change in Working Cap. &Others	0.1	(0.5)	(0.4)	(0.7)	(0.5)	(0.3)
Operating Cash Flow	**(6.3)**	**(5.2)**	**(3.0)**	**0.9**	**5.3**	**8.4**
Capex	(0.2)	(0.3)	(0.4)	(0.4)	(0.4)	(0.5)
Other Investments	0.0	0.0	0.0	0.0	0.0	0.0
Free Cashflow (FCF)	**(6.5)**	**(5.5)**	**(3.3)**	**0.5**	**4.8**	**7.9**
Ord Dividends	0.0	0.0	0.0	0.0	0.0	0.0
New Share Issue	0.8	5.4	6.0	0.0	0.0	0.0
New Debt/(Debt Paydown)	0.2	0.0	0.0	0.0	(3.0)	(1.3)
Net Cashflow	**(5.6)**	**(0.2)**	**2.7**	**0.5**	**1.8**	**6.6**

DIRECTORS

Terry Cuthbertson	Non-exe Chairman
Alex Teoh	CEO & MD
Andrew Teoh	Executive Director
William Bartee	Non-exec Director
Anne Weatherston	Non-exec Director
Peter Wright	Non-exec Director

MAJOR SHAREHOLDERS

	%
Utilico Investments	19.6%
TAAJ Corporation	14.9%
IOOF Holdings	9.2%
Roadhound Electronics	5.5%
Dobrani	4.9%
Top 20	**71.5%**

Revenue Analysis

Y/e Jun	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F
Revenue ($mn)						
Hardware Sales	1.6	1.4	1.8	3.2	3.6	2.1
Subscription Fee	0.4	0.9	1.8	3.5	5.7	7.6
Transaction Fee	0.1	0.4	1.1	3.1	6.8	10.7
Others	1.8	2.3	2.8	3.1	3.3	3.3
Total	**3.9**	**5.0**	**7.6**	**12.7**	**19.4**	**23.7**
Key Assumptions						
Total Active Users ('000)	4.5	9.8	20.0	37.5	57.8	69.3
ARPU ($/month)	17.8	13.9	16.1	16.9	19.8	23.6
Transaction Nos. (#mn)	0.2	1.3	3.0	7.2	14.3	21.0
Blended Transaction Val ($mn)	24	171	447	1,294	2,858	4,402

Mint Payments

Date: **13-Dec-16**

Model Updated: **13-Dec-16**

KEY RATIOS

Y/e Jun	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F
EBITDA Margin (%)				3.6%	24.2%	31.7%
NPAT Margin (%)					20.4%	29.0%
ROA (%) y/e					21.4%	26.1%
ROE (%) y/e					34.6%	33.0%
ROI (%) y/e				0.1%	76.4%	107.7%
NTA per share ($)			0.00	0.00	0.01	0.02
Eff Tax Rate (%)			0.0%	0.0%	0.0%	0.0%
Interest Cover (x)				0.0	14.1	45.3
Net Gearing (%)			3.3%	-9.5%	-51.3%	-68.7%

VALUATION PARAMETERS

Y/e Jun	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F
Adj. EPS (cps)					0.5	0.9
PE Adj (x)					**11.0**	**6.2**
Enterprise Value ($m)	34.7	34.8				
EV / EBITDA (x)				88.9	8.3	5.1
EV / EBIT (x)					9.2	5.4
Price / NTA	-15.3	-16.8	25.8	14.9	4.9	2.4
DPS (cps)	0.0	0.0	0.0	0.0	0.0	0.0
Dividend Yield (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Free Cash / Share (c)	-1.1	-1.0	-0.6	0.1	0.8	1.4
Price / FCF PS (x)	-4.9	-5.8	-9.7	65.7	6.6	4.1

VALUATION & SENSITIVITY

PV of Cashflows 2017 to 2026	52	Risk Free Rate	4.0%
PV of Term Year Cashflow	65	Equity Risk Premium	8.5%
Net Debt	3	Equity Beta	1.50
PV of Equity	**114**	Cost of Equity	16.8%
		Cost of Debt	6.0%
		Terminal Growth	2.0%
		After Tax WACC	**14.2%**

DCF Valution	$ 0.17
FY18 Revenue Multiple	$ 0.11
12 Month Price Target	**$ 0.14**

	Term. WACC			
Term. Growth	15.2%	14.2%	13.2%	12.2%
1.0%	$0.148	$0.165	$0.186	$0.210
1.5%	$0.151	$0.169	$0.190	$0.216
2.0%	$0.154	**$0.172**	$0.195	$0.222
2.5%	$0.157	$0.176	$0.200	$0.229
3.0%	$0.160	$0.181	$0.206	$0.237

GROWTH PROFILE (YoY)

Y/e Jun	FY2015A	FY2016A	FY2017F	FY2018F	FY2019F	FY2020F
Sales Revenue	76%	33%	88%	88%	61%	25%
EBITDA				111%	972%	64%
EBIT				100%		69%
NPAT				-91%	1095%	78%
EPS				91%	1095%	78%
DPS				0%	0%	0%

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Recommendation Criteria

Investment View

PAC Partners Investment View is based on an absolute 1-year total return equal to capital appreciation plus yield.

Buy	Hold	Sell
>20%	20% – 5%	<5%

A Speculative recommendation is when a company has limited experience from which to derive a fundamental investment view.

Risk Rating

PAC Partners has a four tier Risk Rating System consisting of: Very High, High, Medium and Low. The Risk Rating is a subjective rating based on: Management Track Record, Forecasting Risk, Industry Risk and Financial Risk including cash flow analysis.

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