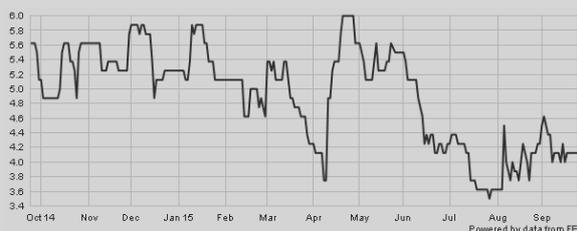


Key Statistics

Code	: VIP
Listing	: AIM
Sector	: Technology & Software
Market Cap	: £10.60m
Share in issue	: 257.04m
Current Price	: 4.00p
12 month High/Low:	: 6.35p/3.50p

Stock Performance



Source: InvestEgate

Financials

	€'m	€'m	€'m	€'m
	2014	2013	2012	2011
Revenue	5.92	1.71	1.17	0.79
PBT	-0.76	-0.13	-0.65	-0.65
Profit	-0.80	-0.14	-0.60	-0.60

Source: Vipera PLC Full-Year Results

Company description

Vipera Plc is a United Kingdom based enterprise mobile financial-services solution provider. The Company is engaged in the provision of software and services, which enables mobile access to personal financial services and offers multi-channel mobility solutions, card management and other functionality ready for deployment by financial institutions, primarily banks. Its core product is Motif, a software platform that allows for full mobile access to any financial services data or transactional activity/transaction. The Vipera Platform offers a wide range of functionalities: Mobile Payments, Mobile Banking and Mobile Money. The subsidiaries of the company are Vipera GmbH, Vipera Srl and Codd & Date Srl.

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Vipera: Poised to Strike

What a difference a summer makes? At the end of August *billed and committed* revenues for Vipera were in excess of the total full year 2014 revenues (€5.92m). Sadly for Vipera their half year period ends two months earlier at the end June 2015. At that stage sales were just €2.63m vs €2.92 H1 2014, so the shares dropped on the headline news that sales were down. Had the market pundits got as far as line 5 of the Chairman's statement, they would have found this out... but they did not. Small companies have lumpy revenues. It is just a fact, but also a huge opportunity. If anything the risk to the full year forecast is on the upside!

- **Fast growth Fin-Tech company**
- **Growing recurring revenues & earnings' visibility**
- **Range of customers includes Tier 1 banks**
- **Focused and experienced management team**
- **Fully funded to profitability**
- **Focus on driving top-line – strong operational gearing**

Far from being disappointing, in fact the first six months has been a period of very decent progress for Vipera. In May, it announced the launch of a Mobile Card Control to Deutsche Bank in partnership with MasterCard.

New sales operations have been created in France, Spain and the Nordics and the UK sales team has been boosted too. The sales cycle is typically 12 months so the benefits of that are still work in progress.

A €3.5m fundraise in May will provide the necessary resources to capitalise on the increasing demand for Vipera's services.

For disclosures, refer to the Disclosure Section

The Business

Vipera builds bespoke solutions for its customers – primarily banks - based on its proven enterprise application, **Motif**. This technology performs functions such as, mobile payments, card control, coupon and loyalty programmes, digital wallets, fraud detection, and other capabilities that banks need, in order to provide their own customers with high value mobile services. Vipera’s consultants work closely with customers to tailor the technology to their unique business requirements.

The Company supports and enhances the mobile banking capabilities of financial institutions with millions of customers worldwide. Its team of experts supports the global customer base from offices in Milan, and the UK.

Vipera’s offering has three legs which can be deployed singularly or in combination. These comprise:

1. Commercial Banking – broadly banking on a cell phone
2. Personal Banking – Card Control, Personal Financial management (PFM), Peer to peer (P2P) Mobile and Bill Payment
3. Customer Engagement – which provides targeted offers and loyalty plans for the customers’ customers-the end users.

There are twin customer models, a straightforward software licence and an Application Service Provider (ASP) offering. Both models derive revenues from the initial implementation; the recurring support and maintenance contracts; in addition, more recent contracts have included provision for per-user-per-annum fees. Future contracts are expected to include variable transaction based revenues correlated to usage. The split between licence fees and deployment revenue can sometimes be artificial to suit the customer’s budget shape and what is ‘deployment’ or ‘consulting’ is moot and could change, but the current breakdown looks something like this:

Revenue Split

Licence Fees	10%
Deployment Revenues	55%
Transactional Revenue	1%
Support & Maintenance Revenue	4%
Consulting	30%
	100%

The “Transactional” (per user per annum) revenue has only recently started (Deutsche Bank, and one other not yet named) and so in 2015 has not yet built up. Likewise the Company have only just deployed its first customer engagement roll-out and this will become more noteworthy in 2016.

Vipera do not give a breakdown by product, as many customers have a range of functionality at blended prices. It is a moving target again, but at this time we can

say the business is predominantly retail/personal banking focused rather than corporate banking.

Whereas five years ago the customers were predominantly in the Middle East, today sales are predominantly European; initially this was Italy but Vipera has recently added customers in Germany, and in 2015 in the UK too.

In short the whole top line mix is constantly changing as Vipera grows. Growth is good but the product mix is important too, as per-user fees and licence fees are high margin!

The customers are and will be predominantly Financial Institutions (Banks); Payment Networks (Mastercard); and Processors (Equens). There are also some additional commercial customers, such as Sisal, the Italian lottery company, who have their own bill payment service.

Margins

The ongoing investment is in product development, rather than research. It has been at a reasonably stable level the last couple of years...not least because of the finite number of man-hours the Company have available. As Vipera grows, in future years, it would seem likely it would allocate more resource to product development as a necessary and continuous investment in the future.

Competitors

There are three distinct levels of competitors to pure Mobile Financial Services (MFS) players like Vipera; large system integrators and IT companies; mobile apps developers; and internal IT departments. The competition ranges from truly international players to local country specific competitors and includes: Monitise, Kony Solution, mFoundry Inc (acquired by FIS in 2013), M-Com Ltd (acquired by Fiserv in 2011).

Outlook

In May, Vipera announced the launch of a Mobile Card Control service to a second leading German Bank, Deutsche Bank. This service is provided in conjunction with MasterCard, utilising their transaction management platform and providing the banks' credit card holders with a dynamic range of card monitoring, transaction and management capabilities, direct on their smart phones. This new service now represents a significant step forward in the respective bank's ability to offer a further range of functionalities to their combined c.4m credit card users in Germany.

More recently the Company announced that it has secured a repeat sale with the Government Savings Bank of Thailand (GSB) through its partner TNFIS, part of the T.N. Information Systems group. This deal is utilising Vipera's digital financial services platform MOTIF, under license. This is encouraging particularly because GSB

purchased a licence in September 2014 for 100,000 users, and the additional licence is for a further 1 million users. The contracted revenue is a significant and welcome contribution to the Company achieving its 2015 financial goals. GSB is using Vipera's technology in its newly launched mobile banking service, "MyMo by GSB" providing powerful personal banking and financial management tools in the hands of GSB's customers via their smartphones.

In 2015, the Company increased its investment in sales and marketing resource and this was one of the purposes of the capital raise earlier this year. During 2015 it has added a Chief Marketing officer (who also brings a Scandinavian focus), a UK focused salesman (who is already being productive), and two marketing/sales support staff. Further planned hires include a salesman in Germany. To put this in context, the total sales and marketing expenditure in 2015 will end up being around twice that of 2014.

The sales cycle can typically be one year; albeit with some much faster and some slower. So engaging more staff is an investment but one management are glad to do, to better seize the opportunities which they can see. In parallel, they are also looking to strengthen other routes to market – through partners such as TNIS: the VAR/systems integrator who sold the system into Thailand.

Management

— Luciano Martucci, Chairman

40 years career at IBM, Country GM and Chairman of IBM Italy. Member of the Board or Executive Committee with several organisations.

— Marco Casartelli, CEO

Startup of Yahoo IT ('97), SportNow ('98), CBS/Sports.com ('99). In mobile industry since 2002 with experiences in India, US and Europe

— Richard Garnier, CMO

Veteran FinTech sales executive, former Chairman for the Nordic region and Managing Director of Thomson Reuters Asset Management division.

— Dr. Silvano Maffei, CTO

PhD at Cornell University, Articles and books, several US patents. Founder of Softwired Inc.

— Martin Perrin, CFO

CA with extensive experience of operations and finance (NatSemi, Qualcomm), investment management and corporate finance at Lazards.

Valuation

Vipera has yet to make a profit at any level. So applying multiples is somewhat premature. However, sales growth has been

strong in percentage terms (120% between 2011 and 2014) and it looks like the company may breakeven next year (Dec 2016).

Pre-tax and gross profits are currently pretty much the same thing owing to very little or no ITDA. Obviously this gives excellent operational gearing going forward though there may be some extra sales and marketing costs to drive the top line.

The Company is currently valued at around twice 2014 sales and 1.5x its 2015 forecast. Given the pace of growth and the likelihood of profitability next year this seems modest and could be significantly higher than that without raising any eyebrows. Looking at a selection of smaller AIM listed FinTech companies, also without earnings, shows an average multiple of around 10x sales.

Conclusion

It will take time for the 'transactional' and Recurring revenues to build, but the type of contracts that Vipera are currently landing, gives comfort that the top line can grow not only fast but steadily and with increasing visibility. Additional growth will come from new customers brought in through the expanded sales team and through channel partners as well as organically through increasing take up from end users. The management are highly experienced and extremely focussed.

Consolidated Income Statement for the 6 months period ended 31 March 2015

	Six months to 30 June 2015 (Unaudited) €	Six months to June 2014 2014 (Unaudited) €	Year to 31 December 2014 (Audited) €
Revenues	2,629,074	2,903,920	5,922,125
Operating expenses	-3,149,292	-3,219,168	-6,666,342
Operating loss	-520,218	-315,248	-744,217
Finance income	140	333	661
Finance costs	-5,298	-6,062	-18,273
Loss before taxation	-525,376	-320,977	-761,829
Taxation	-34,491	1,378	-40,230
Loss for the period	-559,867	-319,599	-802,059
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss:			
Currency translation difference	323,175	151,658	245,204
Total comprehensive income for the period	-236,692	-167,941	-556,855
Attributable to:			
Owners of the parent	-252,703	-274,210	-643,058
Non-controlling interest	16,011	106,269	86,203
Total comprehensive income for the period	-236,692	-167,941	-556,855
Loss per ordinary share attributable to owners of the parent during the period (<i>expressed in €cents per share</i>)			
Basic and diluted	-0.25	-0.22	-0.47

Source: Vipera plc Interim Results

Consolidated Statement of Financial Position as at 31 March 2015

	30 June 2015 (Unaudited) €	30 June 2014 (Unaudited) €	31 December 2014 (Audited) €
Non-current Assets			
Goodwill	2,444,145	2,444,145	2,444,145
Intangible assets	3,038,543	2,559,240	2,576,348
Deferred taxation	844,110	627,623	731,288
Property, plant and equipment	67,243	38,754	38,359
Total non-current assets	6,394,041	5,669,762	5,790,140
Current Assets			
Trade and other receivables	2,943,505	2,679,645	2,625,610
Cash and cash equivalents	4,394,076	1,310,745	1,157,412
Total current assets	7,337,581	3,990,390	3,783,022
Current liabilities			
Trade and other payables	-2,987,672	-1,911,671	-2,277,621
Borrowings	-244,917	-157,819	-119,019
Deferred revenue	-244,657	-183,044	-268,616
Current taxation	-11,727	-199,638	-10,673
Total current liabilities	-3,488,973	-2,452,172	-2,675,929
Net current assets	3,848,608	1,538,218	1,107,093
Non-current liabilities			
Deferred taxation	-350,707	-255,986	-274,413
Trade and other payables	-	-	-
Total non-current liabilities	-350,707	-255,986	-274,413
NET ASSETS	9,891,942	6,951,994	6,622,820
EQUITY			
Share capital	7,044,337	6,215,381	6,215,381
Share premium	9,232,891	6,521,613	6,529,476
Reverse acquisition reserve	-4,016,334	-4,016,334	-4,016,334
Shares to be issued	-	-	-
Foreign currency translation reserve	487,213	70,492	164,038
Retained loss	-3,107,565	-2,103,396	-2,548,352
Equity attributable to owners of the parent	9,640,542	6,687,756	6,344,209
Non-controlling interest	251,400	264,238	278,611
TOTAL EQUITY	9,891,942	6,951,994	6,622,820

Source: Vipera plc Interim Results

Consolidated Statement of Cash Flows for the 6 month period ended 31 March 2015

	Six months to 30 June 2015 (Unaudited) €	Six months to 30 June 2014 (Unaudited) €	Year to 31 December 2014 (Audited) €
Loss for the period before tax	-525,376	-320,977	-761,829
Depreciation of property, plant and equipment	10,092	7,643	18,120
Impairment of intangible assets	3,000	89,855	201,241
Loss on sale of fixed assets	1,921	-	-
Expenses settled by the issue of shares	16,665	14,382	31,820
Finance costs (net)	5,158	5,729	17,612
Foreign exchange on operating activities	323,174	151,658	245,204
(Increase)/decrease in trade and other receivables	-105,975	205,586	-71,368
Increase/(decrease) in payables	550,050	-966,023	-187,873
Cash generated from/(used in) operations	278,709	-812,147	-507,073
Interest expense	-5,288	-6,062	-18,273
Tax paid	-69,965	-29,740	-345,551
Net cash generated from/(used in) operating activities	203,456	-847,949	-870,897
Cash flows generated (used in) investing activities			
Purchases of intangible assets	-112,869	-130,059	-236,325
Purchases of property, plant and equipment	-20,506	-20,494	-30,538
Payments to acquire subsidiary undertaking	-5,925	-	-
Cash in subsidiary disposed of	-29,736	-	-
Cash acquired with subsidiary undertaking	22,202	-	-
Interest received	139	332	661
Net cash used in investing activities	-146,695	-150,221	-266,202
Financing activities			
Net proceeds from borrowings	-	-	-
Net proceeds from issue of shares	3,532,371	1,280,514	1,288,377
Net cash generated from financing activities	3,532,371	1,280,514	1,288,377
Net increase in cash and cash equivalents	3,589,132	282,344	151,278
Exchange (losses)	-352,468	-22,967	-45,234
Cash and cash equivalents at beginning of period	1,157,412	1,051,368	1,051,368
Cash and cash equivalents at end of period	4,394,076	1,310,745	1,157,412

Source: Vipera plc Interim Results

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