

Earnings Call – Q1 – 2018

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Corporate Participants

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MoneyOnMobile, Inc. - Chairman, CEO and Secretary

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MoneyOnMobile, Inc. – CFO

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MoneyOnMobile, Inc – COO

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MoneyOnMobile, Inc. - VP of Corporate Communications

## Presentation

**Greg Allbright:** Thank you, everyone, for joining us for the MoneyOnMobile Earnings Call which will provide an operational update and unaudited financial results of the company's Q1-2018. You can find the presentation for today's call at [investors.moneyonmobile.in](http://investors.moneyonmobile.in) and click on Presentations under “Investor Relations”. At the end of this call, we will open the floor to questions from our audience. To submit a question, please enter it into the question box via webex. For those of you joining our call via phone, you may email us a question at [investors@moneyonmobile.in](mailto:investors@moneyonmobile.in) - again that email is [investors@moneyonmobile.in](mailto:investors@moneyonmobile.in). we will be checking that that email regularly throughout the presentation.

Okay. Now I'm going to read the Safe Harbor provision.

This presentation and comments made by management may contain forward-looking statements that involve a number of risks and uncertainties associated with our business.

The factors that could cause our actual results of operations to differ materially from any forward-looking statements by our management are detailed in our most recently filed Form 10-K or 10-Q's as applicable.

We undertake no obligation to revise any of these statements to reflect future circumstances or the occurrence of unanticipated events.

In light of the foregoing, leaders are cautioned not to place undue reliance on such forward-looking statements. This presentation does not constitute an offer to sell or a solicitation of offers to buy any securities of any entity.

It is now my pleasure to introduce MoneyOnMobile's Chairman and CEO, Harold Montgomery who will begin our presentation. Harold?

**Harold Montgomery:** Thank you, Greg. Hello everyone and thank you for joining us today. This is Harold Montgomery, Chairman and CEO of MoneyOnMobile, Inc. Welcome to MoneyOnMobile, Inc.'s earnings call which accompanies the release of our 10Q report for the quarter ending June 30th, 2017.

Also on the joining me on the call today is Scott Arey, our Chief Financial Officer, as you just heard and Will Dawson, Chief Operating Officer, both of whom will be speaking later.

Before we focus on the financials, I would first like to give a brief Operational Overview.

For the benefit of Shareholders who may be new to our Company, MoneyOnMobile is a payment network catering to India's vast **unbanked and underbanked** population of more than 600 million individuals with everyday transactional services they otherwise have limited or no access to. The unbanked population are those who have no bank account at all and transact all their daily business in cash. The Underbanked population are those who have a bank account but have no banking facilities such as a branch bank or an ATM within reach and need financial services to access their funds. This problem of the underbanked is becoming more common in India, and is a very promising emerging market segment for MoneyOnMobile. According to the Reserve Bank of India, there are about 155,000 branch bank locations in India, and about 200,000 ATMs, but there are over 600,000 towns and villages throughout the country. Even in major cities, large areas are either underserved or not served at all.

MoneyOnMobile allows consumers to deposit cash with one of our retailers and we now have over 335,000.

The consumer's cash deposits become digital currency in our computerized records - just as if the consumer had made a deposit in an actual bank. Then the consumer, or perhaps the retailer functioning on behalf of the consumer, can perform financial transactions such as bill payment or money transfers and others using only the mobile phone and SMS text messages. It is important to note that a smart phone is not required.

MoneyOnMobile can be operated from a simple feature phone using only SMS text.

The consumer can also withdraw cash from a bank account using our system. In this way, we are taking basic transactions and banking services to those who would not otherwise have access to them.

The system is faster, more reliable, cheaper, and much easier than transacting in all cash. The Indian market is the largest underbanked population and unbanked population in the world with approximately 600 to as many as 800 million un or underbanked individuals.

And now we have grown to be India's largest mobile money system.

So let's take a look at some of the operating results at a high level.

As of June 30, 2017, we now have over 335,000 participating agents where consumers can load cash, offering services in over 700 cities across India in all states.

Consumers have the ability to perform over 55 different transaction types include various bill payments and domestic remittance services. Domestic remittance is sending money across the country from one person to another.

We have served over 200 million cumulative consumers based on unique phone numbers. This number is an important measure of our success because it shows the reach of our retail network. Most services in India are based on a strategy of gaining exposure to consumers at the lowest cost possible. By showing that we have served over 200 million consumers in a 5 year period demonstrates the effectiveness of our distribution strategy in exposing our services to a large segment of the population at a very low cost.

Our reach into every state in India and our ability to be in front of over 200 million consumers is an important distinguishing feature of MoneyOnMobile and a key basis for our value proposition.

Over the last 5 years, we have processed over 614 million transaction for a total of more than \$2 billion U.S. dollars. That's an average transaction value of about \$3.15 US, which has been steadily rising from 2013's average of approximately \$1.10.

In the last 12 months, MoneyOnMobile currently serves between 3 and 5 million consumers each month, with a deepening engagement with each customer both in terms of the transaction types that they can perform and the size of each transaction as well. I would like to focus on the 200 million number for a moment.

We have recently passed two key milestones in our company's history that I would like to point out. The first is we have now served over 200 million consumers, identified by their unique phone numbers. India is a population with over 1.2 billion mobile phones. And it is common for people to have more than one phone number, so we do not have an exact count of unique number of individuals served. But it does mean we have serviced over 16% of the mobile phones in the entire country.

The second milestone is that we have now processed over US\$2 billion transaction volume in total since the start of MoneyOnMobile.

As you can see from the chart here: each calendar year we have seen our processing volume increase year-on-year. And 2017 is well on its way to being much better than 2016 and our best year ever.

Now I'd like to turn it over to Scott Arey, our Chief Financial Officer, to present the financial results for the quarter ending June 30th, 2017. Scott?

**Scott Arey:** Thanks, Harold. We would like to review our Q1 2018 Financial Performance, recent revenue trends, and what those mean for the future of our company.

Even though we're in the midst of an aggressive sustained monthly upward growth trend, which we expect to continue, when comparing the quarter ending June 30 to the same quarter a year ago our results are generally lower. Net revenue was \$1.2 million compared to \$1.4 million, a decline of 14% and gross profit was \$700 thousand compared to \$750,000 a decline of 6%. It is noteworthy that the gross profit margin percentage is an increase of nearly 5 points, since that has been a major focus during this period as the company drives hard towards reaching breakeven. I also think it's important to consider the upward slope of the company's current monthly growth trend when considering these results. To get some sense of that trend if you take the revenue results for the month of July and multiple by three to make them comparable to a quarter you'd see an 11% increase over the June 30, 2016 quarter and a 30% increase over the June 30, 2017 quarter. I point this out again just so people can get some sense of the slope of our current growth trend when evaluating our current results, compared to those of the prior year.

Going to the next slide I wanted to call out the increase in selling, general and administrative expenses which increased to \$3.1 million from \$1.8 million in the quarter a year ago. This increase is primarily the result of the \$1.3 million in one time, non-cash equity expense that is mostly the expensing of equity incentives provided to drive the company to reach its breakeven and profitability goals. If you eliminate this one time non-cash charge SG&A is flat when comparing the current period to the same period one year ago.

On the next slide we're showing the last six months of gross margin percentage which has been ranging from roughly 55 to 61 points, but is down in the month of July to 50 points. This is related primarily to a short term promotion effort we ran to spread the use of money transfer transactions in our existing network. We've already seen a bounce back in the margin since ending that promotion without any falloff in revenue and would expect that the margin will resume to be in the range from 55 to 61 points on a monthly basis.

Going now to the monthly revenue trend on the next slide, we showed a similar slide in the prior earnings call with the most recent 6 months. The only change in the numbers previously presented is an upward adjustment in the revenue for June 2017 from \$433 thousand previously shown to \$469 thousand shown on the slide now. As I mentioned earlier to give some sense of the slope of this monthly trend if you take the month of July and multiple by three you would get a comparable quarter that would be a 30% increase over the current quarter assuming no additional growth in August and September of 2017. While the company is still taking operating losses it is our goal to continue to drive this trend while maintaining modest growth in SG&A to bring the company to profitability.

One of the key products behind this push continues to be domestic remittances, in addition we are beginning to see a strong contribution from MOM ATM which we view as an essential product to being able to more fully utilize our existing retail agent network.

Going to the next slide we had previously shown a breakout of revenue growth by product type and we've shown that here with the month of July added.

This chart breaks out some of our major revenue categories to tell the story of what has been happening with our business over the last six months.

Going forward we are going to make a revision to this chart which is represented on the next page and I will ask Will Dawson, our chief operating officer, to explain the change we have made and results.

Over to you Will.

**Will Dawson:** Thanks Scott

I have recently returned from a six week trip to India where I visited over 100 of our retail outlets from six different states including; Punjab, Himanchal, and Delhi - all of which are in the Northern area of the country and then three states in the Eastern part of the country: Assam, Meghalaya and West Bengal. I got to see first hand how our products are working in the field. It has resulted in his revision we have made to the chart.

The revision we made has to do with how representing the MOM ATM revenues we are including in the first line - Domestic Remittance / MOM ATM line. In this revised version, we are now only including the MOM ATM transactional revenue in the first row. We have moved all the non-transactional MOM ATM related revenue, such as the one-time setup fee that we charge retailers and the monthly recurring service fee we charge our partners, to the "All Other" row at the bottom of this chart.

We felt this change gives our investors a better sense of how the Domestic Remittance / MoM ATM line is doing as it is now solely based on the revenue generated by our processing volume. To reiterate, the top two rows in

this chart now only include transactional based revenue from these four key lines of business: domestic money transfer and MOM ATM in the first row, and Mobile Top Up and Television Top Up in the second row. The non-transactional based revenue from the MOM ATM has been moved into the “All Other” row at the bottom of this table.

Now looking at the percent figures in this chart they are based on the change in revenue from the previous month. For example, for the July 2017 Domestic Remittance/MOM ATM revenue percentage increase of 12% means that from June to July that category saw revenue growth of 12%.

In both the North and the East, two of the regions I just visited on my trip, we are seeing a healthy increase in the number of retailers taking up our domestic remittance product. The increase in number of retailers offering our domestic remittance product has been one of the drivers for our 13% and 12% **month-on-month** growth in June and July respectively. Another driver of these monthly growth rates has been the growth in number of retailers offering our MOM ATM product. In some of the more rural areas I visited on my trip, we are seeing strong demand for this product, as it is providing a vital last mile link between a consumer and their bank account.

Moving on to the Mobile and TV Top Up lines of business, we saw a 19% increase in the month of July. As you will recall from our previous earnings call, the first six month of this calendar year have seen a great deal of downward price pressure on the mobile phone minutes and data as the operators are fiercely fighting for market share in this highly competitive space. It appears though, at least in this last month, prices for both of mobile phone services have stabilized and some of the operators have ended a number of their free promotional offers.

Moving on the looking at India in general:

-According to a recent front page article in the Wall Street Journal from August 7<sup>th</sup>, 2017 by Eric Bellma, internet use in India is exploding

-Over the last nine months the amount of data being consumed has gone from 0.2 billion GB downloaded per month, to over 1.2 billion. A six X increase.

-It was also been reported that the number of internet users has increased 7 fold from 2009 to 2016, that represents a growth from around 50 million to 350 million users. Almost all of these new consumers are accessing the internet via their mobile phones.

One of the drivers for this explosive growth has been the dramatic drop in the price of data, with a 50% measured drop in the cost of a GB over the last 18 months.

The results on our business from these changes in the telecom space has been a shift in consumer purchasing behaviors. Consumers are now spending less money for minutes on their mobile phone and more money buying data packages for their mobiles. We are adjusting our product offerings to match this change in consumer purchasing.

Now moving on to our MOM ATM:

The MOM ATM is a small hand held card swipe device that connects to a smartphone using simple Bluetooth technology similar to how many people connect their wireless headset to their mobile phone. A retailer enabled with a MOM ATM allows them to become cash out points for anyone with a bank account. This service has been proven popular in regions where consumers have a bank account but do not have a nearby access bank branch or ATM. We refer to this population as “the underbanked” population.

Keep in mind that the MOM ATM is not a large machine anchored into a wall. Rather, it’s a simple, low cost hand held device. Any consumer who has a bank card, for example a debit card, can swipe the card at the MOM ATM and make purchases from the retailer or withdraw actual cash from their bank account. In the case of a cash withdrawal, the cash comes from the retailer’s till.

In this way, placement of the MOM ATM completes the cash cycle for MoneyOnMobile and makes our system more efficient.

One consumer who purchases mobile phone minutes using cash increase our retailer’s cash supply in their till. Then, another customer who wants to withdraw cash from their bank account, uses the MOM ATM at our retailer which in turn brings down the retailer’s cash balance. In this way, the retailer becomes a cash recycling point - taking cash in from one customer and giving it out to another - for benefit of the local community. The retailer and MoneyOnMobile both make revenue from each of these cash-in and cash-out transactions. And MoneyOnMobile is the settlement network crediting or debiting the respective amounts to and from the retailer’s mobile account.

As you can see from the pictures on the screen now, on my recent trip to India, I visited a large agricultural operation with over 600 employees. Previously the employer was paying all of these workers in cash. Now the employees are paid electronically into the bank accounts. But the closest ATM is miles away and now often runs out of cash after pay days. To address this issue, we have set up retailers around the facility with our MOM ATM product. The retailers benefit from the increased foot traffic and additional revenue from providing cash out services. And the employees benefit as they no longer have to travel long distances to get their cash.

Now looking at the over all market of ATMs in India.

To give you an idea of the potential market size for the MOM ATM, let me give some background data. There are just over 200,000 ATM’s, not all of which are not operating at any given moment in time for a variety of reasons one of which I just mentioned - peak demand after pay days.

For India to have the same level of saturation of ATMs as the United States, the country would require over 2 million ATMs be installed.

Demand for ATM’s is quite high in India, and we believe our mobile, wireless, pocket size ATM device is the ideal technology for a market that is ripe for growth. The MOM ATM is low cost, does not require a physical installation, and works with any smart phone.

**And now I will turn it back over to Greg for our Q&A session.**

**Greg Allbright:** Thank you Will. If you would like more details about the about the company, please take a moment to visit our website at [investors.moneyonmobile.in](http://investors.moneyonmobile.in). You can also sign up for a monthly email in which we highlight other changes in the business.

This is the end of our formal presentation.

Harold did you have something you would like to mention?

**Harold:** Yes – Sorry Greg

Before we begin the Q&A, I would like to mention one item for the interest of shareholders- In our most recent Q10 announcement, we had announced that Senator Kay Bailey Hutchison had resigned from the board of Directors effective August 8<sup>th</sup>, 2017. President Trump nominated Senator Hutchison to be the Ambassador to the North Atlantic Treaty Organization in Brussels Belgium and she was approved by the Senate in August of 2017. This appointment requires that Senator Hutchison resign from all of her private board commitments including the Bank of America International advisory board and MoneyOnMobile. We wish her all the best in her new position and we are very grateful for her time on the board.

I also want to correct one figure that came out, 200 million ATMs is not the right number it is 2 million ATMs, sorry for the misspeak. 2 million ATMs would be required to saturate India at the same level as the United States on a per capita basis. At any rate it is still a vastly underserved market.

So Greg back to you to lead the Q&A

**Greg Allbright:** Thanks Harold - We will now begin the Q&A

To submit a question, please enter it into the question box via webex under Q&A or you can send a private chat directly to me. Or you may email us a question at [investors@moneyonmobile.in](mailto:investors@moneyonmobile.in) that's [investors@moneyonmobile.in](mailto:investors@moneyonmobile.in)

Scott our first question comes through to you

**What is the cash position and burnrate?**

**Scott:** Our burn rate in India is currently under two hundred thousand U.S. dollars a month and declining. We anticipate being able to raise sufficient capital to support that until the company reaches cash flow positive and profitability.

**Greg:** OK thank you Scott our next question has come from several of the audience members Harold this is for you.

**What are your plans for uplisting?**

**Harold:** We have long stated that it is a goal of the company to uplift to the NASDAQ or other national exchange and we are still working on that. The shareholders approved the board's power to reverse split the shares at a future date when the conditions are right the board reserves the right to do that when they are ready and they see the conditions are right. We have had conversations with the various exchanges it is still a goal of ours to uplist and when all the pieces are in place we will be pursuing that aggressively.

**Greg:** Ok Thank You Harold, the next question is from Jeff, Jeff thank you for your question. Scott it is for you.

**When will you be profitable? (Scott)**

**Scott:** We expect to be able to demonstrate profitability before the end of the calendar year. What I mean by that is that we will have achieved at least one day before the end of the year where on a fully loaded basis we

will be profitable in India. Demonstrating profitability and being cash flow positive is key to our current and ongoing strategy and I think the futures results bring us closer and closer to that goal.

**Greg:** Ok Thank you Scott, another question that has come in Harold.

**How's the fundraising going?**

**Harold:** I can't comment on forward looking fundraising efforts but I can point out to shareholders that we had success with fundraising at an adequate level through summer and those results are disclosed in the appropriate portion of the 10Q. I would just say that the company has a history of raising capital on acceptable terms as needed and we continue to pursue that.

**Greg:** Ok thank you also Harold this question goes back to you this is from several of the folks out there Zach being one of them.

Earlier Will had mentioned internet usage going up in India and the cost of that data going down, how does that impact MoneyOnMobile?

It's a great question. It is an emerging trend in India that we are paying close attention to and participating in. I think you saw on the category product revenue chart and uptake in this category. It is important for us to be a participant in reselling data time, data access which is driven by phone companies you can think of it as a part of the mobile topup product line. As the population of users expand the need for available easy to access payment locations to access data will be important. These transactions are generally pretty small in size 10 rupees 50 rupees in that range in other words less than one US dollar and we are a participant in reselling data time so we are very much riding that trend and expect it to be a growing area for us in the future.

**Greg:** Thank You Harold, Thank you all for submitting your questions, we know you have asked a lot of questions that we have attempted to answer and we will continue to do so on future calls. This completes the Q&A portion of our chat. We do want to let you know that the presentation deck, presentation transcript and the recording that you are watching right now will be available on our website at [investors.moneyonmobile.in/presentations](http://investors.moneyonmobile.in/presentations) later today. Thanks to everyone for participating in this call and for our continued support of the business and that ends our conference call. Have a good day.