

Getmobile gets going

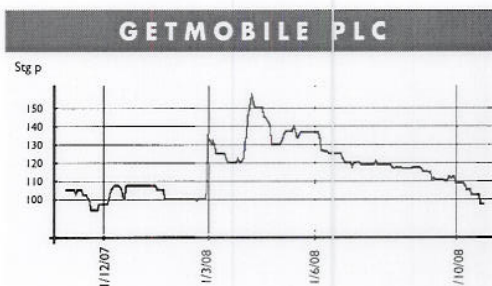
THE Fitzwilliam Capital cash shell Pierce Casey floated on the Stock Exchange five years ago – and which was then used as the vehicle for the €63m acquisition of the German Getmobile business – imploded within months of being bought. Despite this, Getmobile has been the best performing stock on the Irish Stock Exchange so far this year, with its share price of €1.35 actually up a few percentage points compared to the 50% collapse in the Irish Stock Exchange in 2008. Last year Pierce Casey re-engineered and stabilised the Getmobile business model and, so far this year, this re-modelling has proven very robust. However, the share price has failed to react to the significant ongoing developments.

Getmobile's core business model is to sell (on commission) post-paid mobile phone contracts through a web sales platform to German consumers. The cut-throat competition that broke out in the pre-paid German mobile phone market, driven by a growing number of mobile virtual phone network operators and increasingly aggressive pricing policies, seriously damaged Getmobile's core business. In response to this, Getmobile tightened up its cost base and focused almost exclusively on its much more cost effective internet sales platform. As a result, Getmobile managed to dramatically increase its viability last year, with profits soaring 69% to €2.7m. Although these are still well short of the original planned outturn in 2005, it is a serious improvement, particularly as working capital had also been trimmed back.

By the year end, the company was sitting on a net cash surplus of €5.7m and, in the first half of the current year, this progress has continued. Getmobile is one of the top three independent direct marketing vendors of post-paid mobile phone contracts in Germany and the leading one selling through the internet. Although Getmobile only just maintained its sales in the first half of the year at €50m, because of an increased proportion going through the company's much lower cost web platform, the business was much more profitable and trading profits increased by 47% to €1.65m.

While there is no full sales breakdown, excluding third party sales Getmobile's revenue base actually increased in the last six months by close on 15% to over €35m. This helped to increase total group trading

margins by 31 basis points from 8.5% to 11.6%. Excluding third party sales as well as a small but growing non-phone internet sales business platform, Getmobile's core trading profit



actually came out at a much higher €1.85m in the last six months.

Getmobile also has a dedicated and focused German management team, headed up by ceo David Schwenke. He came with the business when it was bought and took a big slice of the sell-out consideration in the form of Getmobile shares, which leaves him as the company's largest single shareholder with a 14% stake, held jointly with Getmobile's original co-founder Daniel Wild. These two are not focused on trying to get the largest possible remuneration package for themselves but are locked in as big shareholders. Indeed, they purchased an extra two million shares between them last year.

In a much more healthy focused business – selling phone contracts on behalf of the major German mobile phone operators through an increasingly profitable website they are also focusing on expanding this business model to sell direct access to a much wider range of additional service contracts for a much wider business range covering insurance, electricity, broadband, bank accounts, credit cards and pay tv contracts.

Getmobile is platforming this wider range of services

through the acquisition of a majority 65% stake in Premingo, a start-up operation with an open internet platform which has been linked in to Getmobile's existing customer base.

With a much keener focus on only developing profitable business and not expensively warehousing large stocks of phones, Getmobile's increased profitability is not only coming through to the bottom line but is significantly boosting the money in the company's bank account, where the cash surplus has over the last six months jumped by over 50% to €10m.

This represents €1.05 cash per share which means that the underlying business is currently valued on the market at only 30 cent a share. Excluding net interest earned on this cash surplus and the losses of the start up business, Getmobile's core underlying business is now being valued at one times the group's underlying profits – a simply ridiculous valuation. Pierce Casey is already making moves by arranging to activate a trading platform for the shares on the German



Pierce Casey

Deutsche Bourse stock exchange in Frankfurt. Getmobile is an exclusively German business run by a dedicated German team so quoting these shares on this market makes real sense.

In the mean time, Pierce Casey will probably move soon to buy the company in or acquire a complementary business to bulk up operations, or just distribute the net surplus cash of €1.05 per share. Any or all of these actions will help Getmobile shares more accurately reflect the underlying value of the company.