

# **Bango Interim Results FY2011 for 6 months to 30<sup>th</sup> September 2010**

**November 2010**

**[www.bangoinvestor.com](http://www.bangoinvestor.com)**

- Highlights**
- Business Progress**
- Financials**
- Outlook**
  
- Supplementary**

# About Bango

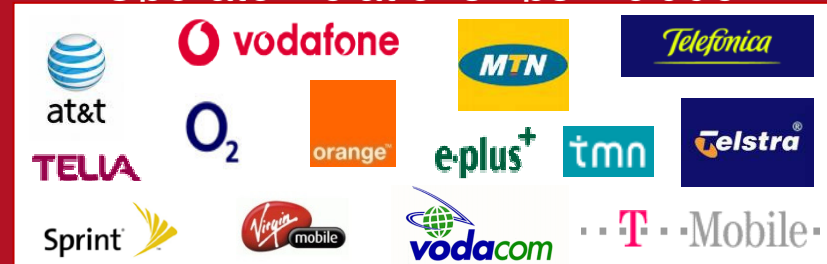


- Founded in 1999 to enable effective collection of payments from mobile device users
- Leading global brands choose Bango for mobile **payments** and **analytics** (the only vendor to combine both services)
- Bango technology, relationships and user data enable the highest billing conversion rates and accurate analysis
- On London Stock Exchange since 2005 (AIM: BGO.L)
- Offices in Cambridge, UK and New York, USA

## Bango customers include:



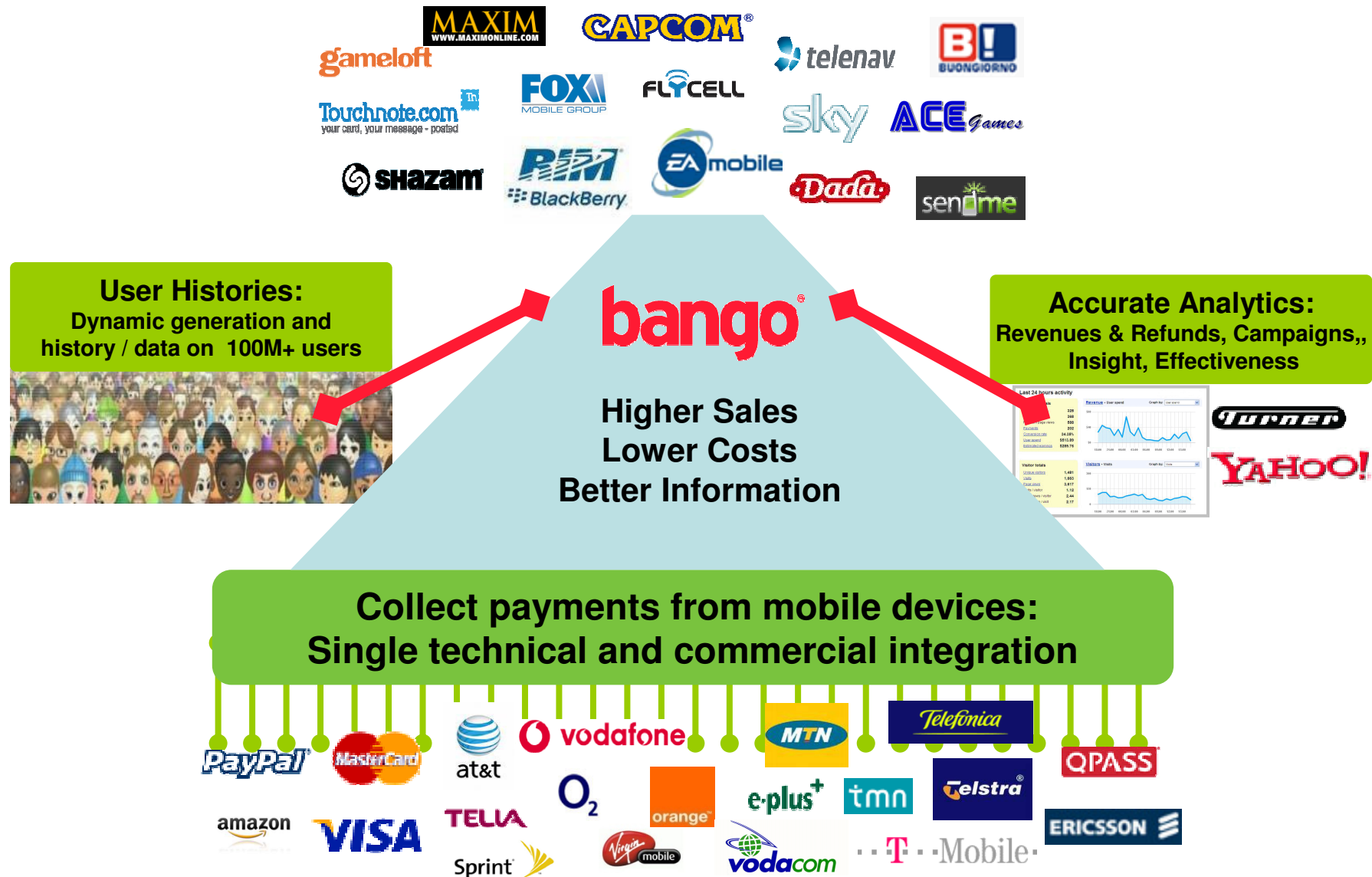
## Operator relationships include:



## Award winning technology:



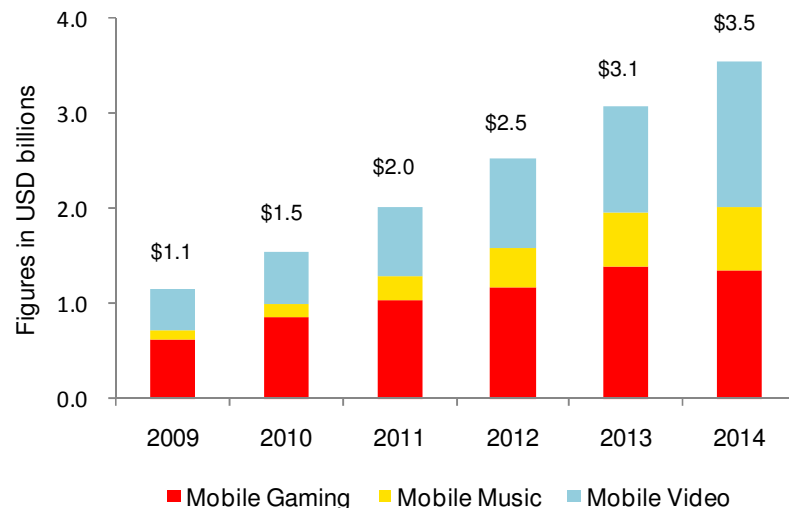
# Bango benefits for content providers



# Smartphone Market Dynamics



## US Mobile Content Market

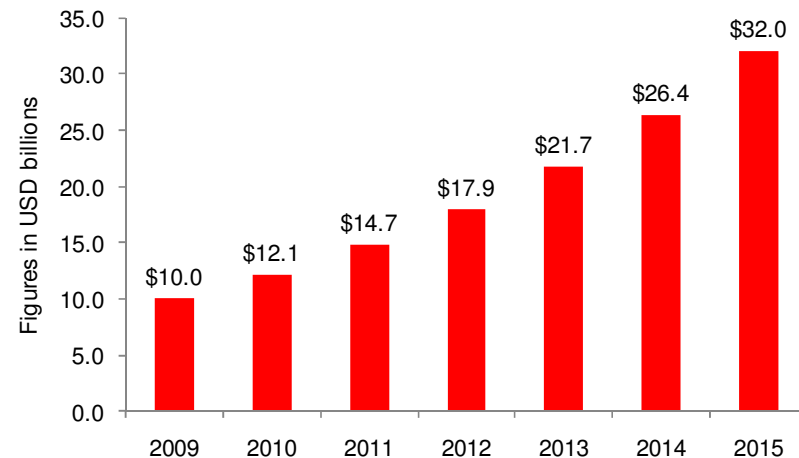


**The mobile content market in the US alone is expected to grow from \$1.1 billion in 2009 to \$3.5 billion in 2014, representing a 25.3% CAGR**

- Mobile gaming is expected to increase from \$600 million in 2009 to \$1.3 billion in 2014, representing a 16.5% CAGR
- Mobile video is expected to increase from \$450 million in 2009 to \$1.5 billion in 2015, representing a 28.3% CAGR
- Mobile music is expected to increase from \$82 million in 2009 to \$677 million in 2014, representing a 52.5% CAGR

Source: eMarketer, 2010

## Mobile Apps Market

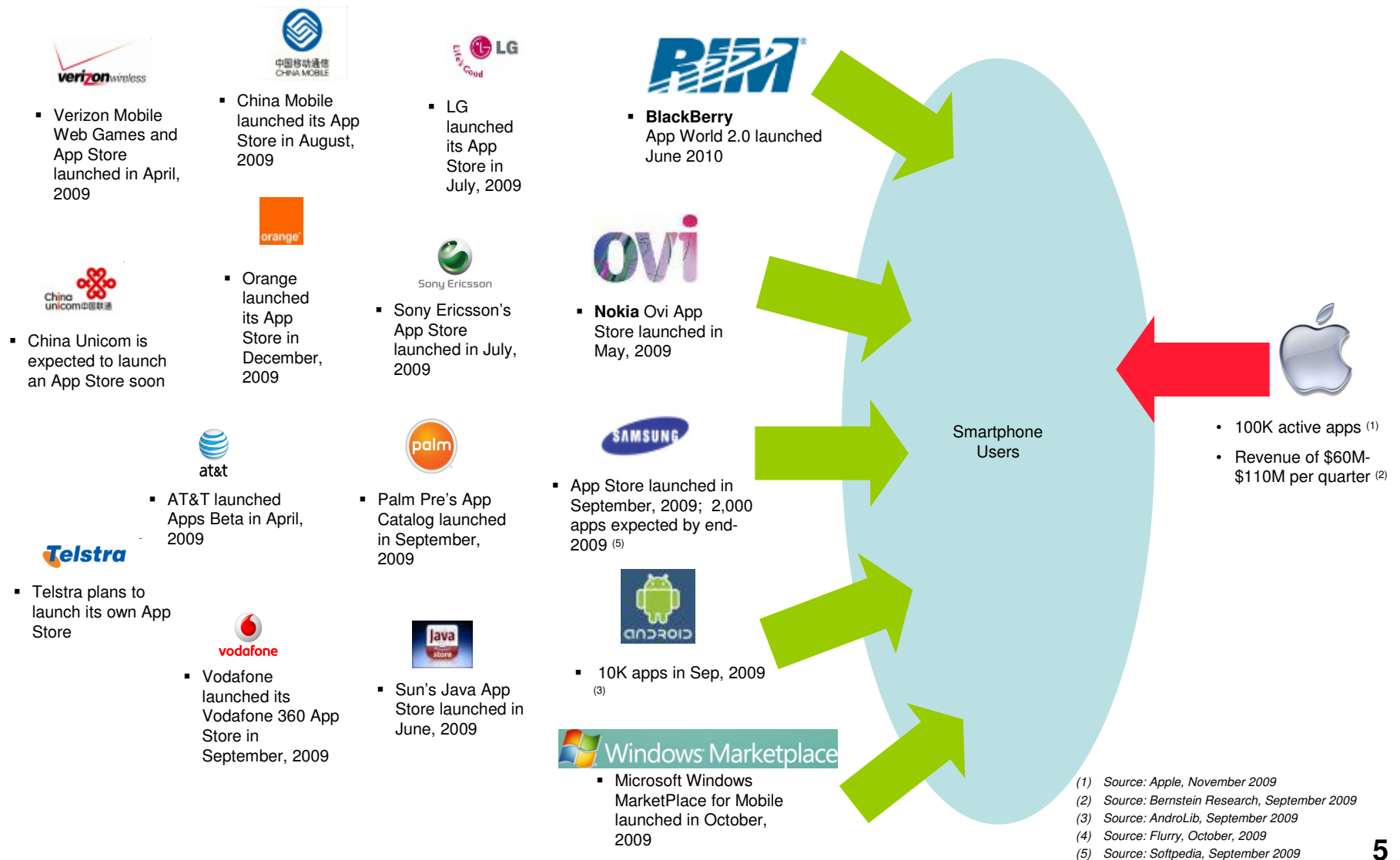


**The mobile applications gone from essentially non-existent (before the iPhone) to a major revenue producing market...and is expected to scale rapidly**

- The mobile app market is expected to grow from \$10.0 billion in 2009 to \$32.0 billion in 2015, representing a 21.4% CAGR
- The number of app downloads are expected to reach 25 billion by 2015, up from approximately 2.6 billion in 2009

Source: Juniper, June 2010, and Rutberg & Company

# App Stores becoming strategic



# Bango is a powerful tool for App Stores



- **Technology to enable Mobile Operator billing (enables greater reach than credit cards)**
- **Interfaces (API's) and Analytics for Developers**
- **Automated “back-office” processes**
- **Extensive analysis and anti-fraud tools for the App Store operator**
- **Clearing & settlement to developers world-wide**

# BlackBerry App World



## Powerful Leader:

- BlackBerry is best selling US smartphone\*
- 55% market share in North America\*
- >161 mobile operator partners\*
- >104m installed base\*

- App World downloaded by >35m users
- >1.5m app downloads per day
- Available in over 70 countries\*

## Chose Bango:

- Bango will serve as the “Merchant of Record” for all carrier transactions on the BlackBerry App World, including app purchases and in-app billing (April 2010 announcement)

## Already deploying:

- AT&T first to go live via Bango, August 2010
- Announced intent to roll-out globally



\*Sources: Visionmobile October 2010, BlackBerry.com Nov 2010, Berryreview, and IDC Feb 2010

- **Building team to focus on App World delivery for RIM**
  - ensure success of AppWorld 2.0
  - in-depth technical and developer support
  - ability to integrate ~100 new carriers in 2011
  - ensure security, privacy, scalability
- **Strengthen Payment and Analytics “in Applications”**
  - BlackBerry, Android, iPhone, Windows, Nokia
- **Offer “App Store” capabilities to others**
  - Large games providers creating app stores  
EA and Gameloft integrated with Bango
  - Other App Stores / portals in pipeline for 2011



## Standard Bango Model:

Small share of end user revenues

Monthly operating fee

*In December 2009, Apple AppStore, with 58m users, generated \$250m Revenues.*

Source: GigaOm

## Additional capabilities:

Special mobile operator integration work  
(accelerate new ones or dedicated connections)

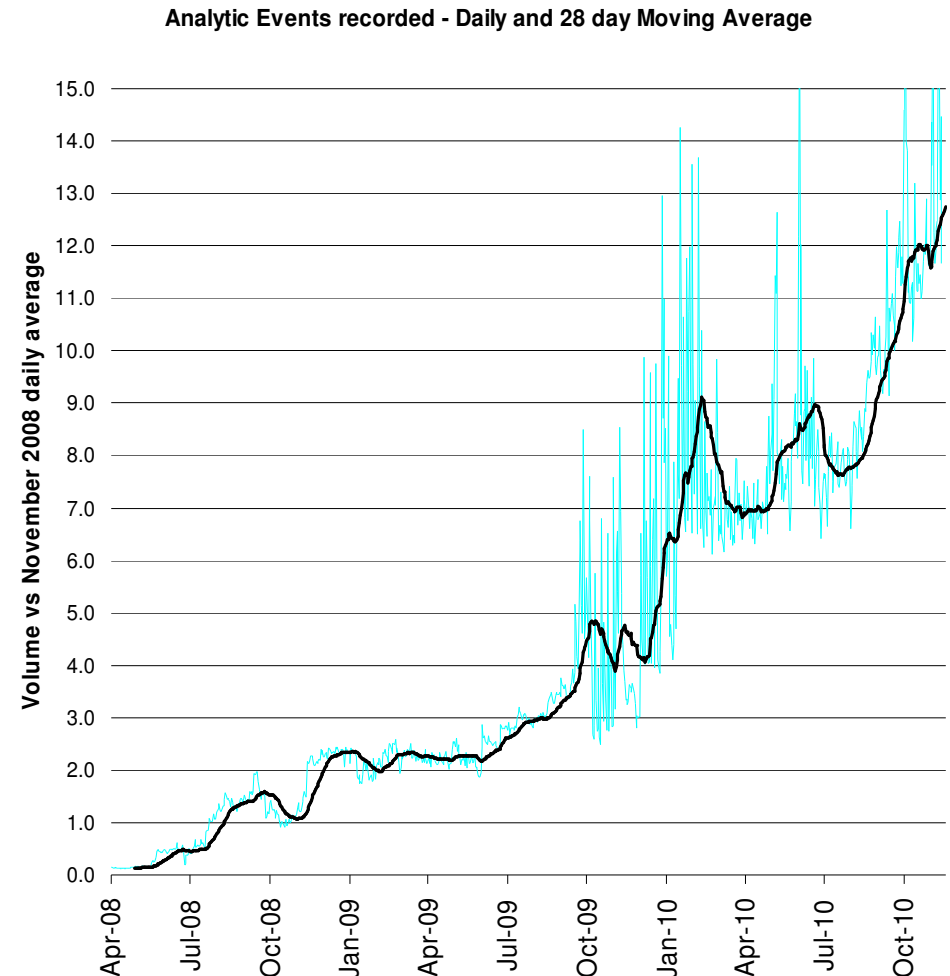
Customization to meet Customer needs

- Majority of Bango's end user spend currently driven by several large Content Aggregators
- Bango estimates 5-10% of their business has migrated to Bango, to benefit from better conversion rates, user experience and analytics
- Following litigation around premium SMS (PSMS) based service, US mobile operators implemented strict new refund policies during the period and applied penalties, consumer refunds, and suspensions
- Bango now believes that migration by content aggregator customers will be slower than expected due to them being forced to defend their legacy business
- Two large customers that had to reduce marketing activity (one of which had a suspension applied due to PSMS marketing activity) impacted revenue through Bango by more than £1m each in the last half

# Bango Analytics growth



- Current volumes 13X 2yrs ago
- Revenues driven by customer sign-ups and transaction volumes
- In App analytics developed and launched on 3rd October
- Turner deploying in multiple sites and starting to add apps
- Yahoo! using with advertising customers to track effectiveness



- **In-Application Payment**

- Leverages existing mobile operator and credit card connections
- Easy to integrate into Android, Blackberry, Symbian or other apps
- Starting to be deployed in apps such as Shazam & Flirtomatic

- **In-Application Analytics**

- Uses existing back-end collection, enrichment and reporting
- Open source application toolkit to enable rapid deployment
- Starting to be deployed in apps delivered by Turner and others

- **Bango Platform**

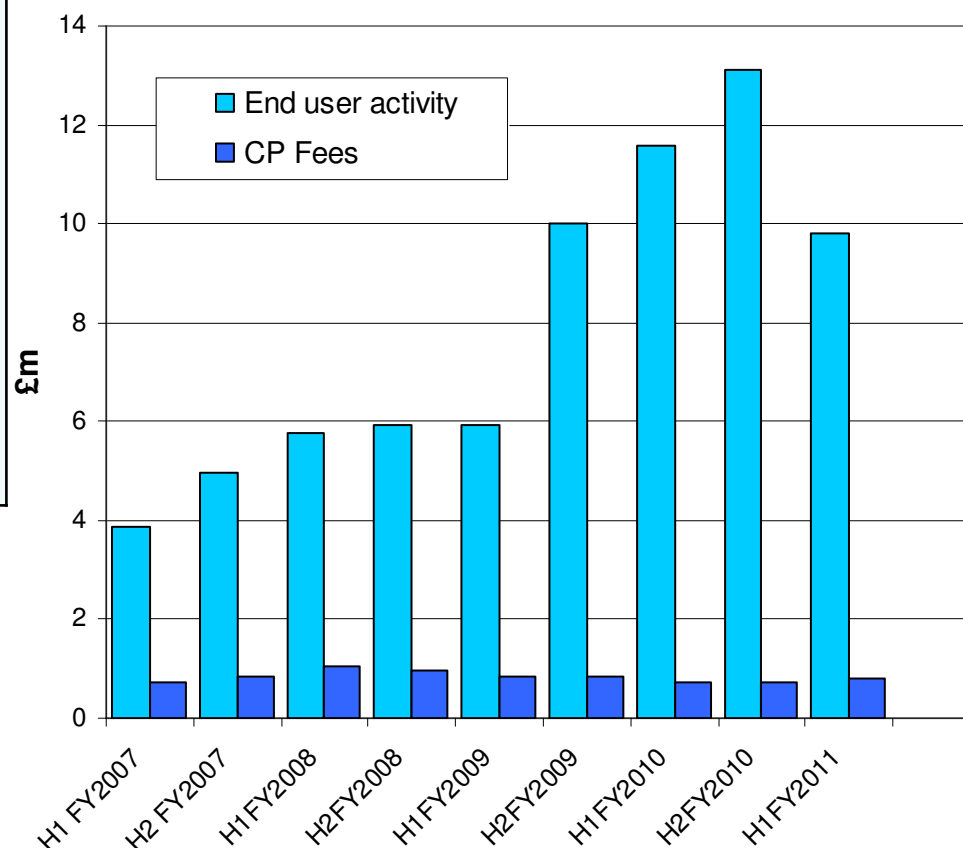
- Added further interfaces to support sophisticated App Stores
- Enhancements to fraud monitoring and settlement systems
- Upgrades to collection architecture to allow much higher transaction rates

# H1FY11: Revenue by segment



	H1FY11 £m	H1FY10 £m
<b>End user activity</b>	<b>9.80</b>	<b>11.59</b>
<i>% of total</i>	<i>92%</i>	<i>94%</i>
<b>Content provider fees</b>	<b>0.81</b>	<b>0.73</b>
<i>% of total</i>	<i>8%</i>	<i>6%</i>
<b>Total revenue</b>	<b>10.61</b>	<b>12.32</b>

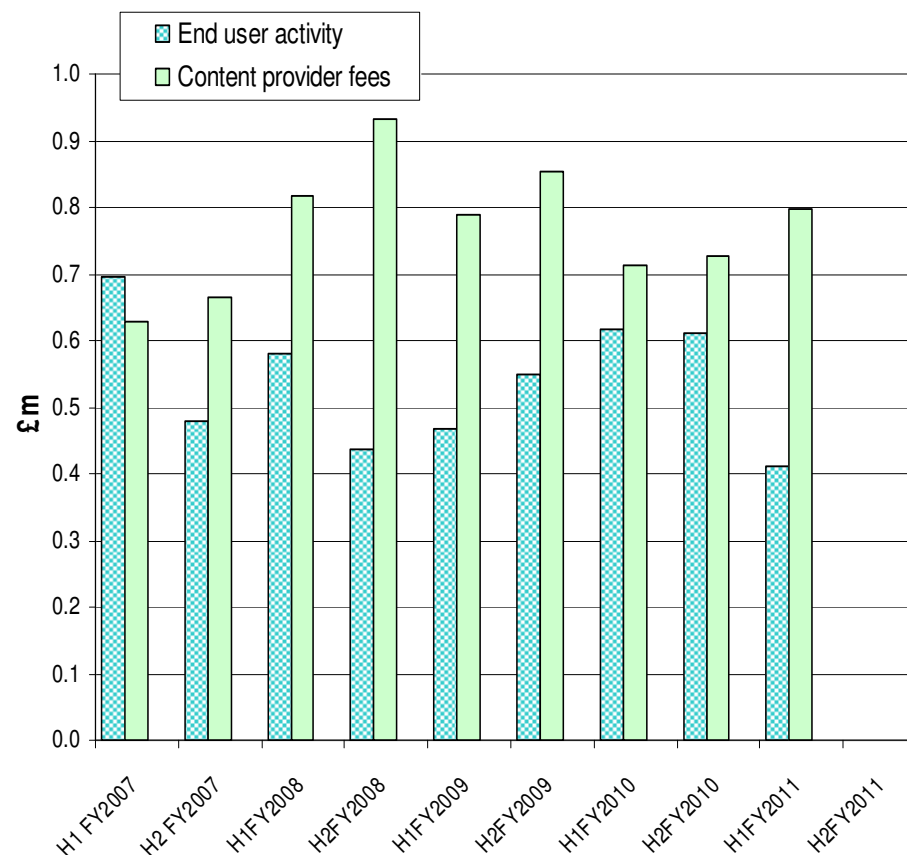
- £2m reduction from two large Content Aggregators
- BlackBerry AppWorld contribution to end user activity started in August'10



# H1FY11 : Gross profit



	H1FY11 £m		H1FY10 £m
<b>End user activity</b>	<b>0.41</b>		0.62
<b>% of total</b>	<b>34%</b>		46%
<b>Content provider fees</b>	<b>0.80</b>		0.71
<b>% of total</b>	<b>66%</b>		54%
<b>Total gross profit</b>	<b>1.21</b>		1.33



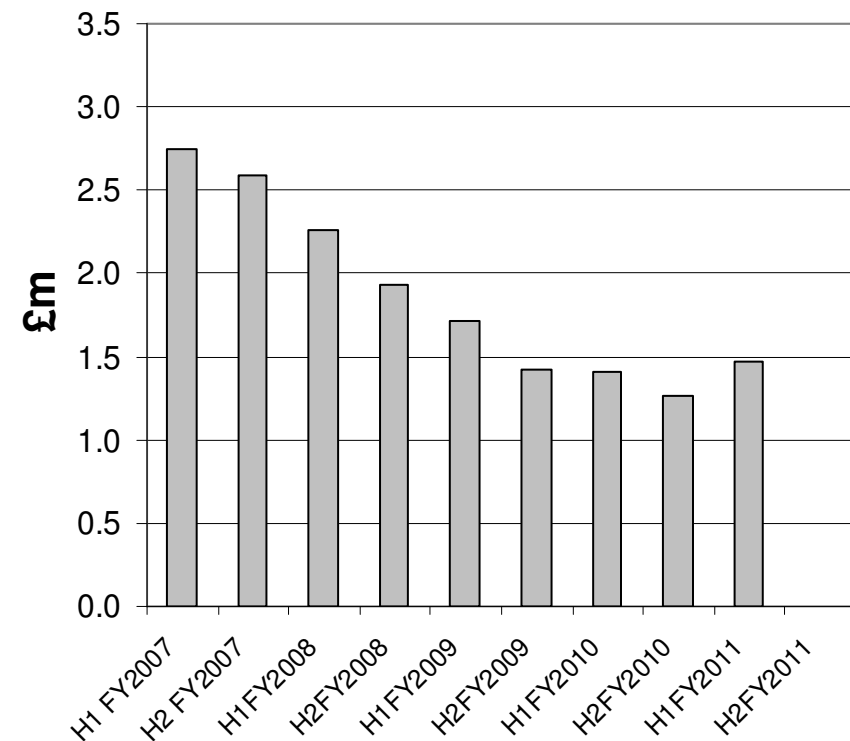
- High margin earnings continued to improve
- Small contribution from RIM
- Margin on end user activity decreased from 5.3% to 4.2% because of fixed costs

# H1FY11 : Operating Expenses



- Opex includes spend on RIM task-force / start-up
- P&L opex expected to remain at present levels in 2<sup>nd</sup> half
- Capitalised £0.48m for:
  - Mass outpayment
  - In-App Analytics
  - Emerging market project

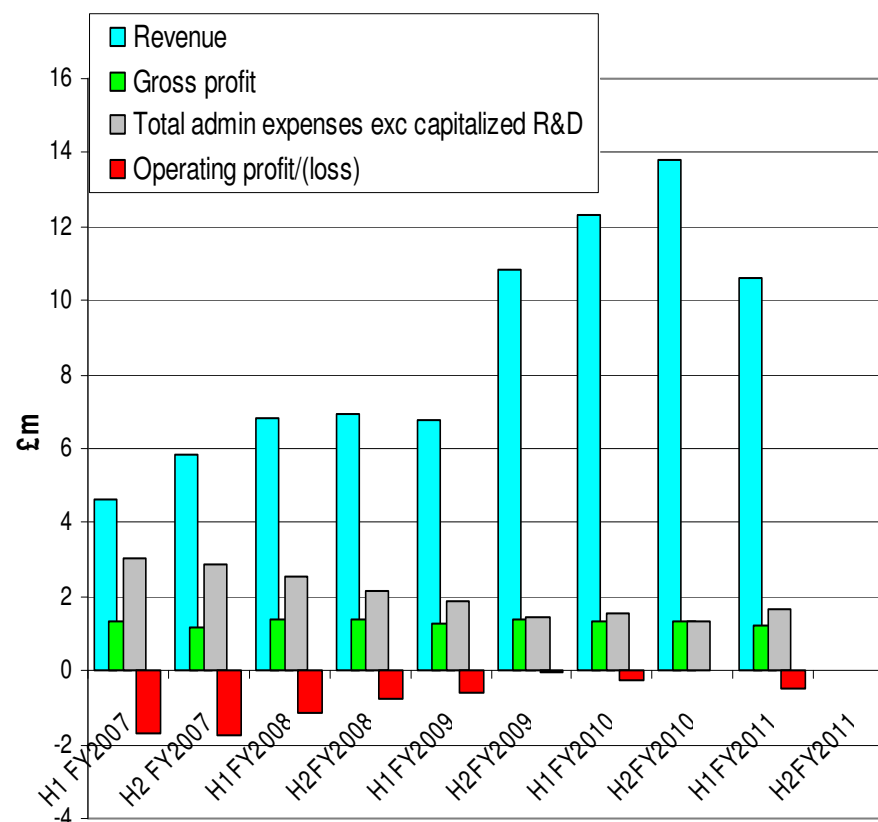
**Operating expenses  
(before dep'n & sbp)**



# H1FY11 : P&L



	H1FY11	H1FY10
	£m	£m
<b>Revenue</b>	<b>10.61</b>	12.32
Cost of Sales	(9.40)	(10.99)
<b>Gross profit</b>	<b>1.21</b>	1.33
<b>Operating expenses</b>	<b>(1.47)</b>	(1.41)
Dep'n and amortisation	(0.15)	(0.10)
Share based payments	(0.05)	(0.06)
	(1.67)	(1.57)
<b>Loss before taxation</b>	<b>(0.46)</b>	(0.24)
Income tax	0.03	0.11
<b>Profit / (loss) for period</b>	<b>(0.43)</b>	(0.13)
Basic and diluted earnings per share (pence)	(1.18)	(0.47)





# H1FY11 : Cashflow



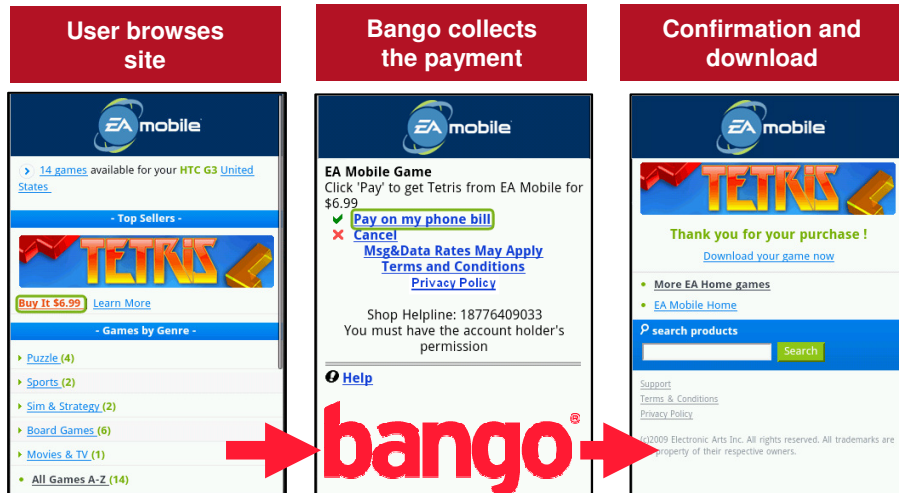
		H1FY11	H1FY10
		£m	£m
<b>Net cash used by operating activities</b>		<b>(1.10)</b>	(0.27)
<b>Cash flows from/ (used by) investing activities</b>			
Purchase of property, plant and equipment		<b>(0.02)</b>	(0.05)
Addition to intangible assets		<b>(0.48)</b>	(0.37)
<b>Net cash from/(used by) investing activities</b>		<b>(0.50)</b>	(0.42)
Proceeds from issuance of Ordinary Shares		<b>0.03</b>	0.01
<b>Net increase / (decrease) in cash</b>		<b>(1.57)</b>	(0.68)
Cash at beginning of period		<b>2.73</b>	0.82
Cash at end of period		<b>1.16</b>	0.14

- Continuing to advance £0.29m (£0.33m) to content providers for acceleration
- Nil cash consumption in two months to 19 November 2010

- Bango sees a big and exciting pipeline of prospective business ahead
- Project to provide carrier billing for BlackBerry AppWorld presents a significant business opportunity
- App Stores promise to be new and increasingly important channels, and new services developed around the RIM project should position Bango well for further App store sign-ups.
- Mobile web payment and analytics products have now been augmented by mobile application equivalents
- Our market positioning, the “blue chip” customers we have won, and encouraging industry trends give Bango confidence in continuing to grow revenues and profits.

# **Supplementary Slides**

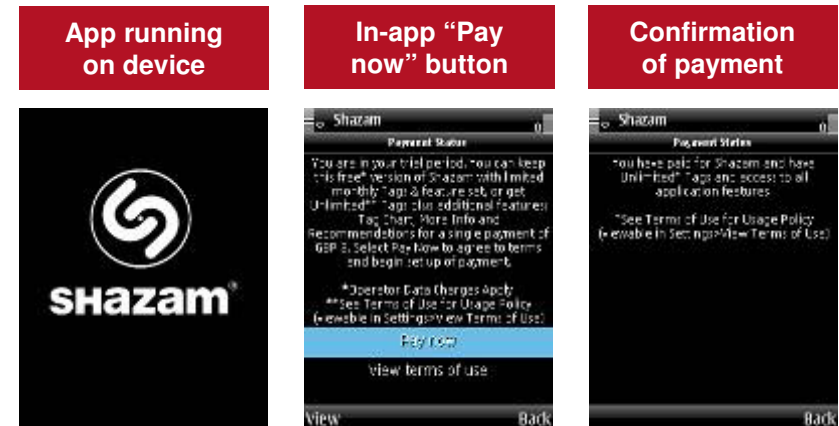
# Optimum Web or App user experience



→ bango →



→ bango →



→ bango →

# Components of Bango Platform



## BILLING

Identify / Locate

BillRank™

Age Verification

Risk / Fraud

Currency

Taxes

Technical API

Web Services

Native Language Support

Analytics

User Support Tools

## COLLECTION

Basics:

- Reporting
- Reconciliation
- Refunds
- Chargebacks
- Missing items

Added Value:

- Anti Fraud
- Refund prevention
- Rates
- Anti-Laundering

Cross border:

- User taxes (eg VAT)
- Withholding taxes
- Currency conversion
- Currency risk
- Banking rules

## OUTPAYMENT

Basics:

- Calculation
- Reconciliation
- Refunds
- Chargebacks
- Fees / fines
- Incentives

Added Value:

- Reporting
- Refund management
- Authentication/ KYC

Cross border:

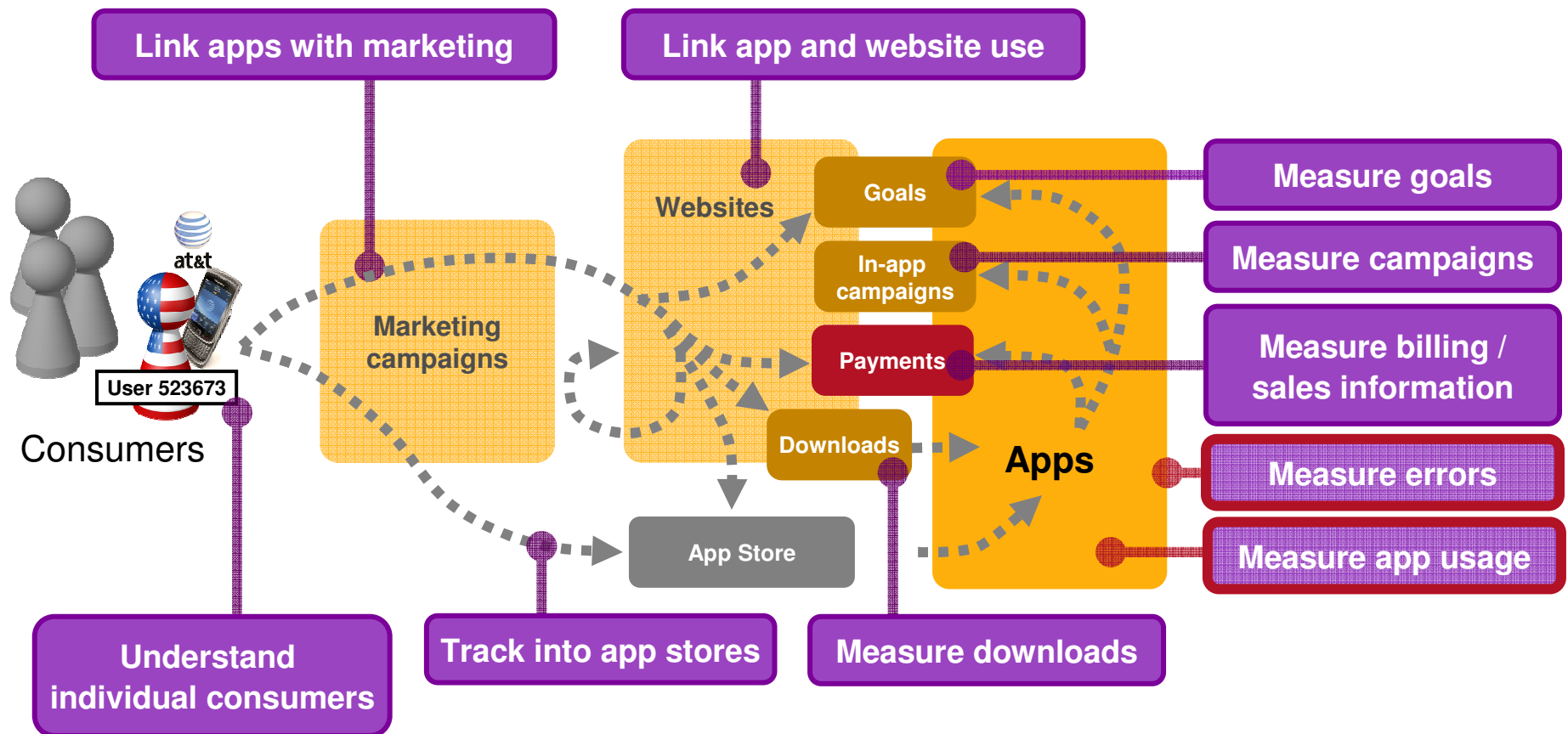
- Vendor taxes (eg VAT)
- Withholding taxes
- Currency convert
- Currency risk
- Bank transfers

Efficiency  
Security  
Profitability

Accuracy  
Analysis  
Insight



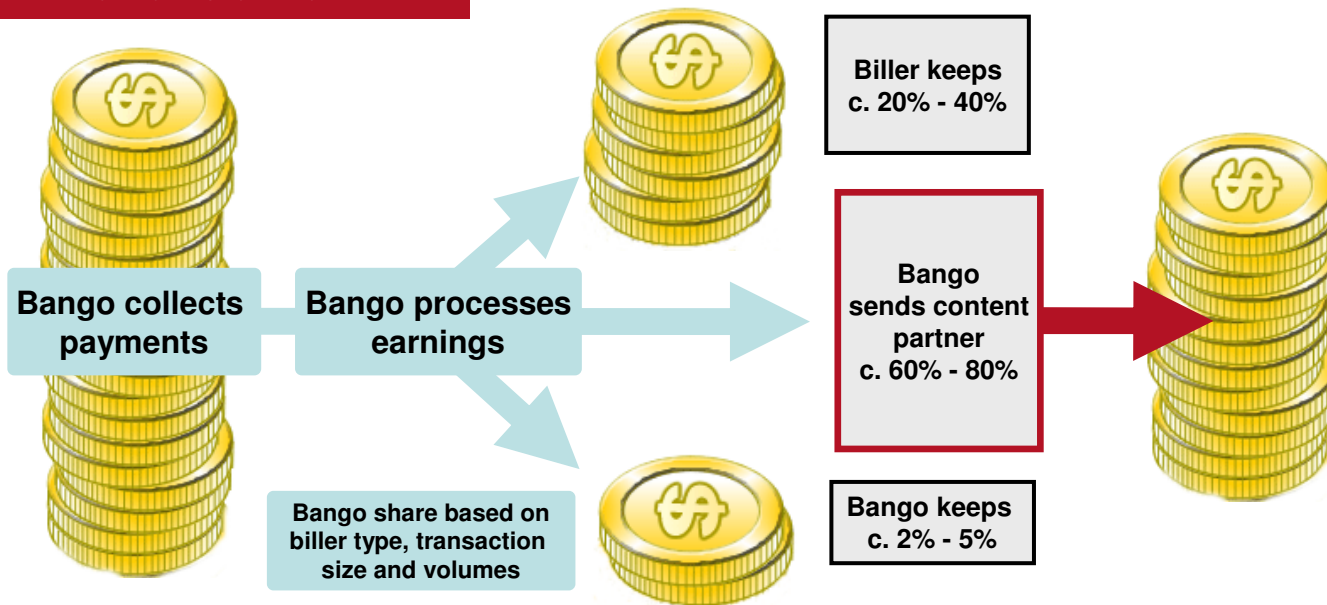
# Joined up App Analytics



 Standard app analytics solution

# Business Model: Fee + Percent of Transaction **bango**

## Revenue flow



## Settlement

