

# Bango FY2013

12 months to 31 December 2013

**Ray Anderson** CEO

**Gerry Tucker** CFO

**Anil Malhotra** CMO

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[www.bango.com](http://www.bango.com)



- Founded in 1999 to enable effective collection of mobile payments
- Chosen by the worlds leading app stores, merchants and mobile operators
- Bango technology, relationships and user data enables
  - superior user experience
  - higher sales success, with lower risk
  - full visibility through industry leading dashboards and analytics
- London Stock Exchange since 2005 (AIM: BGO.L)
- Offices in Cambridge, Singapore, New York and San Francisco

## Bango customers include:



## Over 120 operator relationships include:



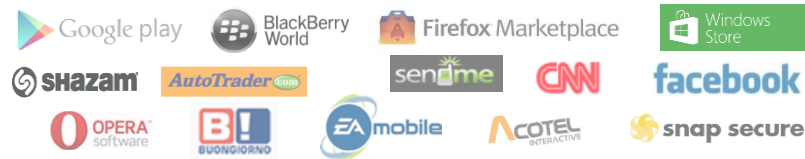
## Award winning technology:



# What Bango does



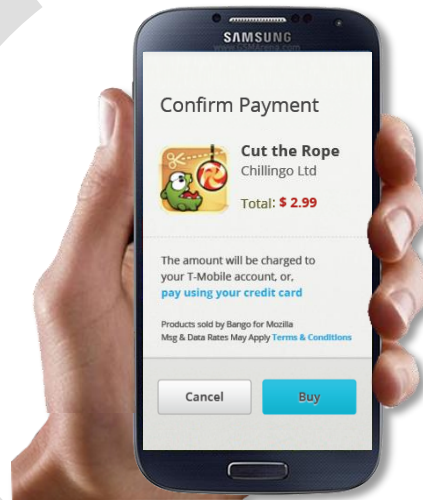
## 1. Bango powers leading app stores and major brands



## 2. Unique Bango technology automatically authenticates hundreds of millions of users



**Provides a massively smooth payment experience**



## 3. Across hundreds of operators worldwide

## 4. On any device connected to any network – including Wi-Fi



# Benefit of Bango Direct Operator Billing



- **Direct Operator Billing** gives 200% to more than 1,000% sales uplift by reaching where credit cards can't
- The common **Bangold** across diverse apps boosts that further by enabling one-click operator billing - even on Wi-Fi connections

## North America

20% – 25% on credit card

70% with Operator Billing

## Smartphone Penetrated

e.g. Europe, Middle East, Pacific Rim

5% – 10% on credit card

70% with Operator Billing

## Smartphone Growth

e.g. Asia, India, LatAm, Africa

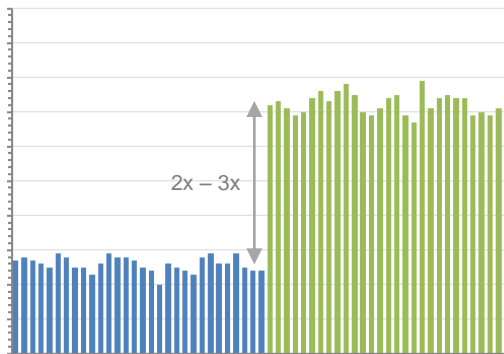
<1% on credit card

30% with Operator Billing

Conversion rates

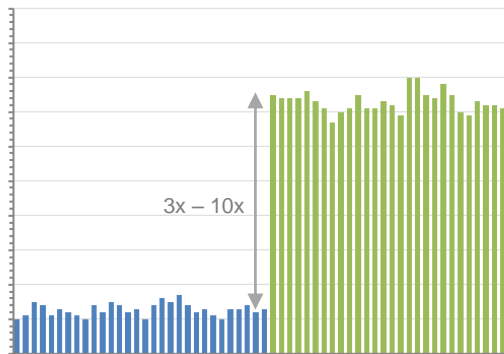
### USA

■ Credit Card ■ Operator Billing



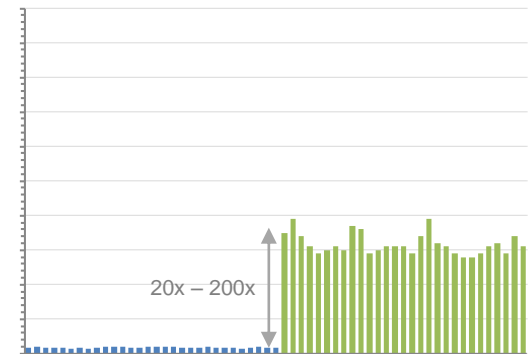
### Smartphone Penetrated

■ Credit Card ■ Operator Billing

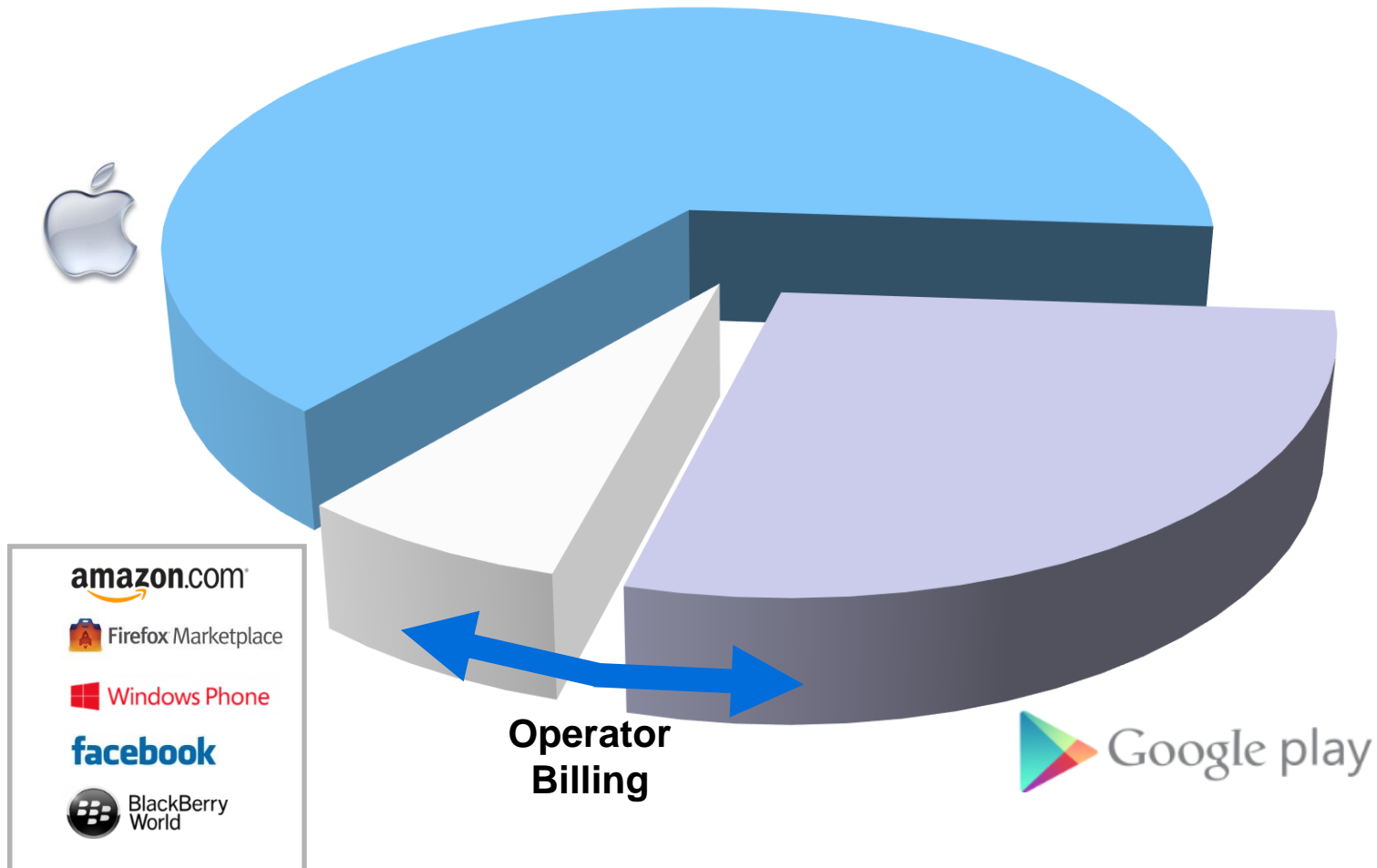


### Smartphone Growth

■ Credit Card ■ Operator Billing



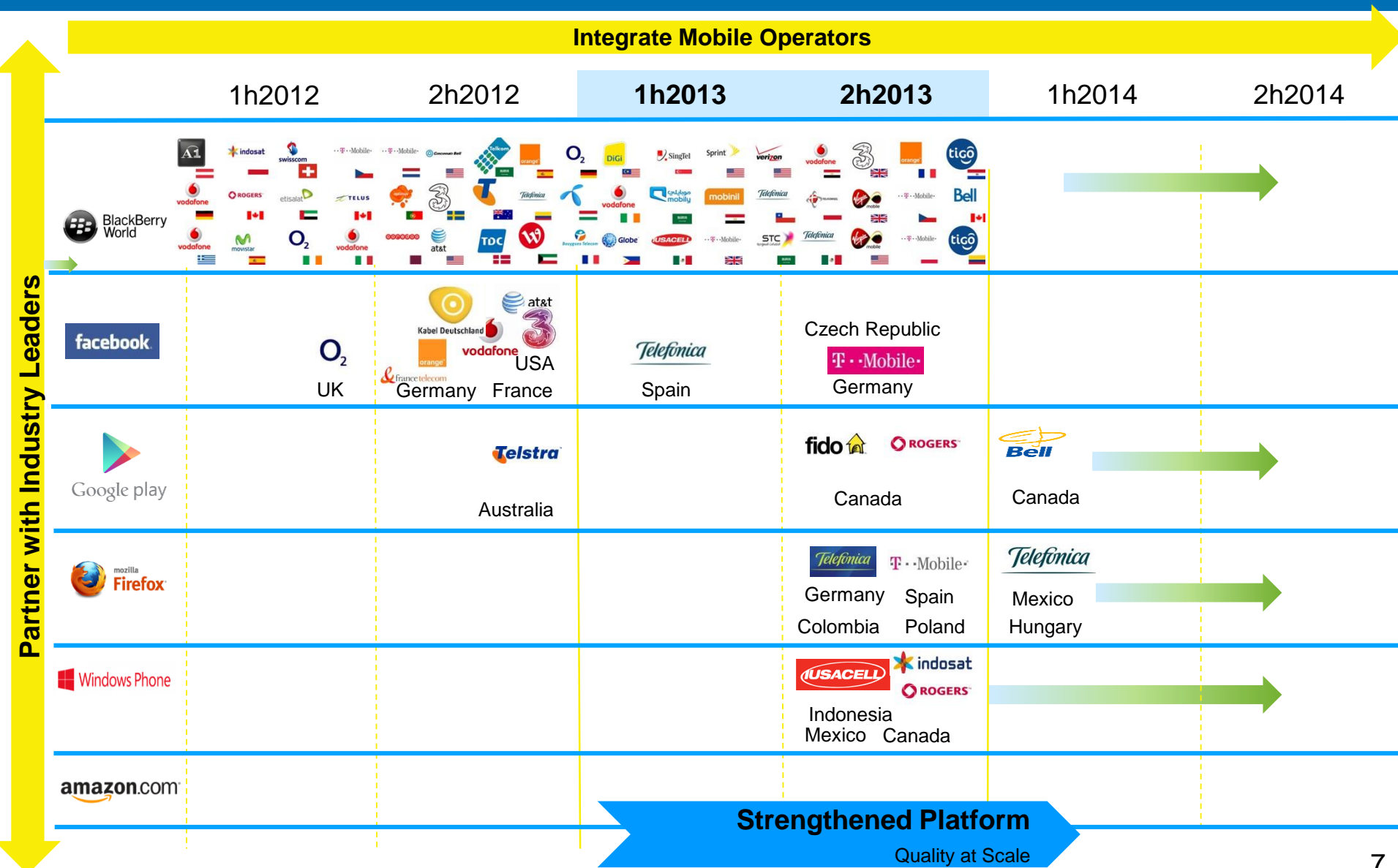
## Digital content and services (includes \$26bn in app download sales)



1. Ramp-up in end user spend at the end of 2013 as a result of initial stages of growth driven by Google Play starting to use Bango to integrate with MNO billing systems
2. Continued expansion of operator billing integrations worldwide
  - driven by Google, BlackBerry, Mozilla and Microsoft
  - customer funded activity
  - accelerated roll-out in emerging markets
3. Completion of a major operations, datacenter and platform upgrade
  - capacity more than 20x current transaction volumes
  - meet expectations of major App stores increasing their use of Bango
  - no further increase in opex required

# Entering growth phase

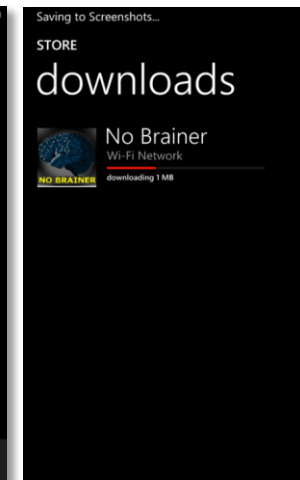
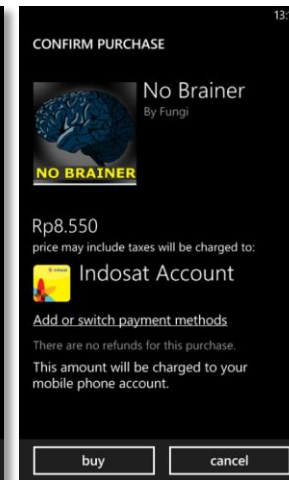
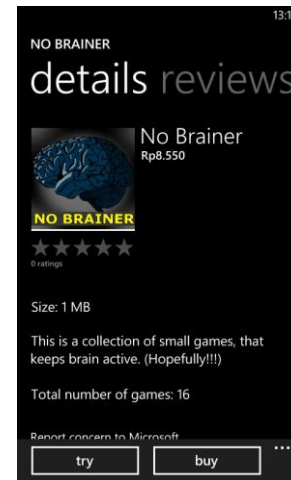
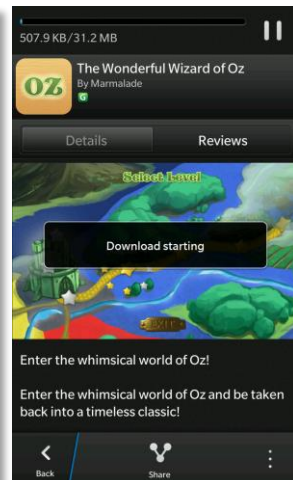
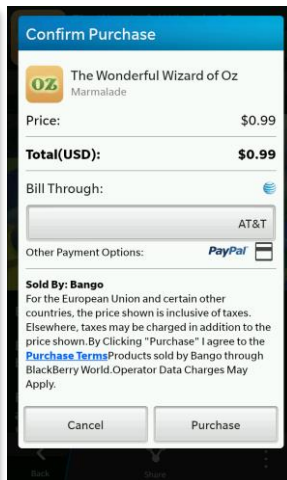
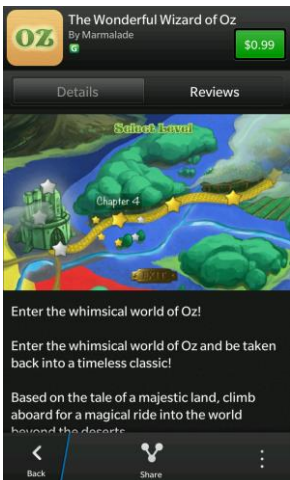
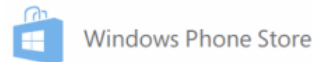
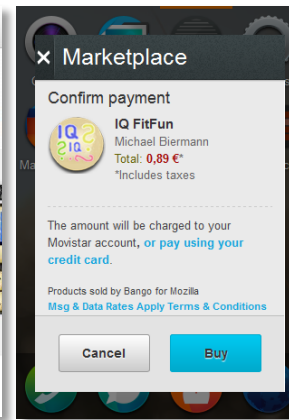
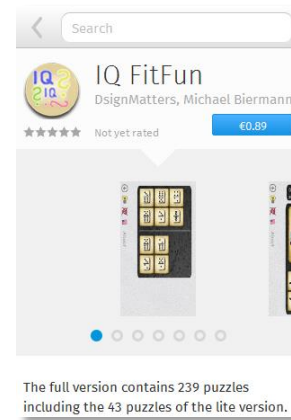
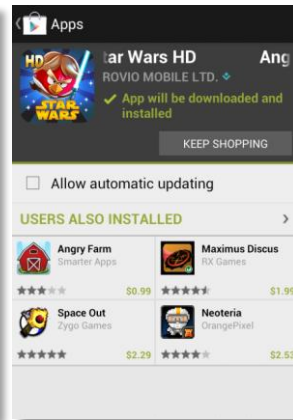
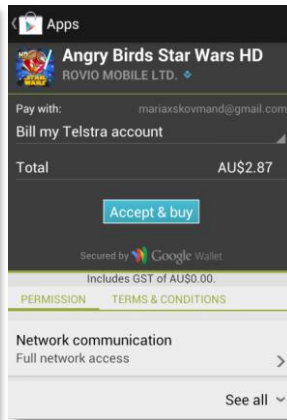
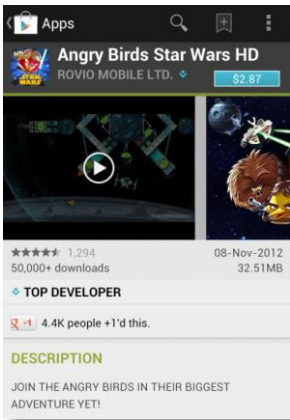
**bango**



- Significant progress integrating leading app stores with MNO during the year:
  - Google Play: 3 integrations live at year end from 1
  - Mozilla: 4 integrations live at year end from 0
  - Microsoft: 3 MNO integrations implemented and live from 0
  - Pipeline of 40 integrations, most being Google Play
- Country expansion continued:
  - more than 120 direct MNO integrations live including MNOs in Mexico, Colombia, Singapore, Indonesia, Malaysia, Thailand, Philippines, UAE, KSA, Kuwait, Poland and Czech Republic
  - established Singapore presence to support Asia rollout
  - mean monthly analytics volume grew to 1.8bn/month in FY2013 from 1.0bn/month in 9m2012
- 24/7 platform global operations center built and now fully operational
- Activity with Amazon continues

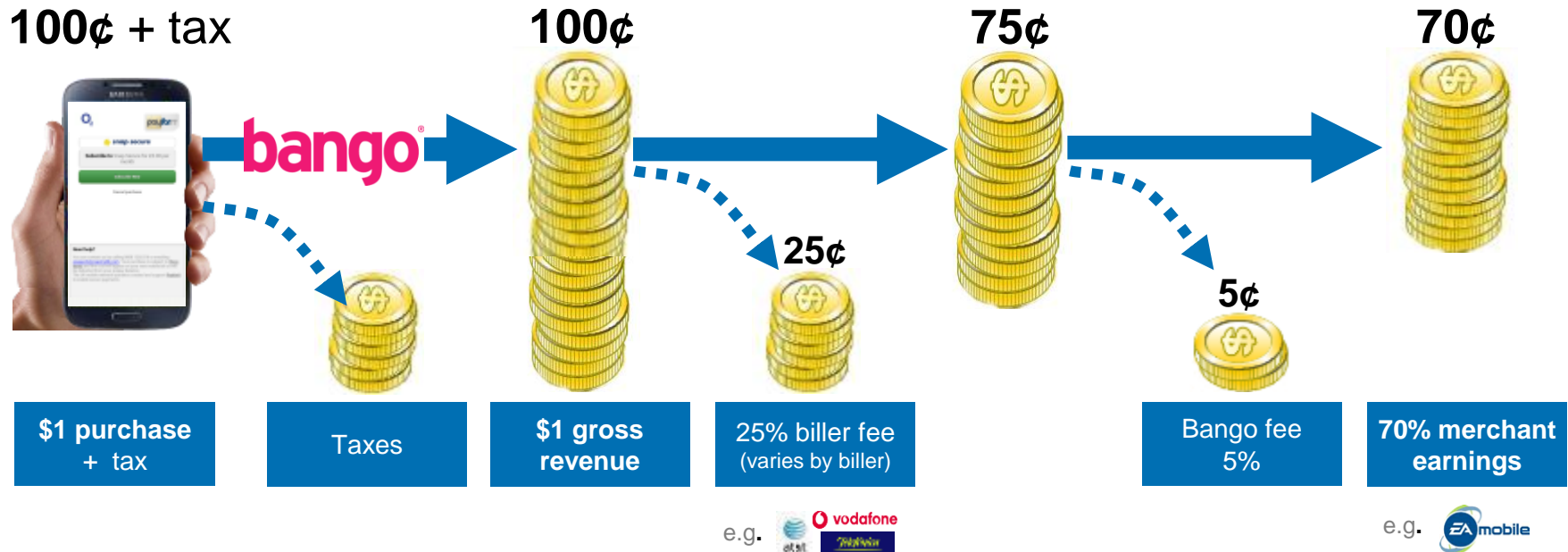


# Bango powered app store experience



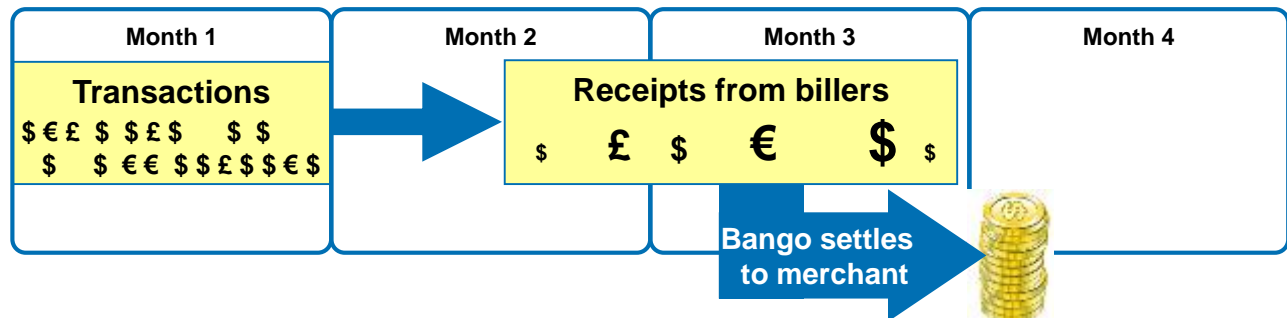
- End user spend increased to £15.6m (9m2012: £6.2m)
  - increased 150% from Dec 2012 to Dec 2013 driven by app store activity
- End user gross profit grew to £0.4m (9m2012: £0.2m)  
with gross profit margin within the 2-5% medium term target range
- Platform fee revenue £1.7m (9m2012: £1.4m)
  - fees for connecting Mobile Network Operators & analytics
- Total gross profit stable at £2.1m on a pro-rated basis (9m2012: £1.6m)
  - includes gross profit on end user spend and platform fees
- Loss before tax increased to £4.9m (9m2012: £2.6m)
  - adjusted LBITDA £3.0m (9m2012: £1.7m)
  - approx. £1m extra spent on strengthening platform & operational team
  - increase in depreciation, amortization and share based payment charges
- Cash balance of £5.1m (£2.3m on 31 December 2012)

# Bango as “Principal” business model

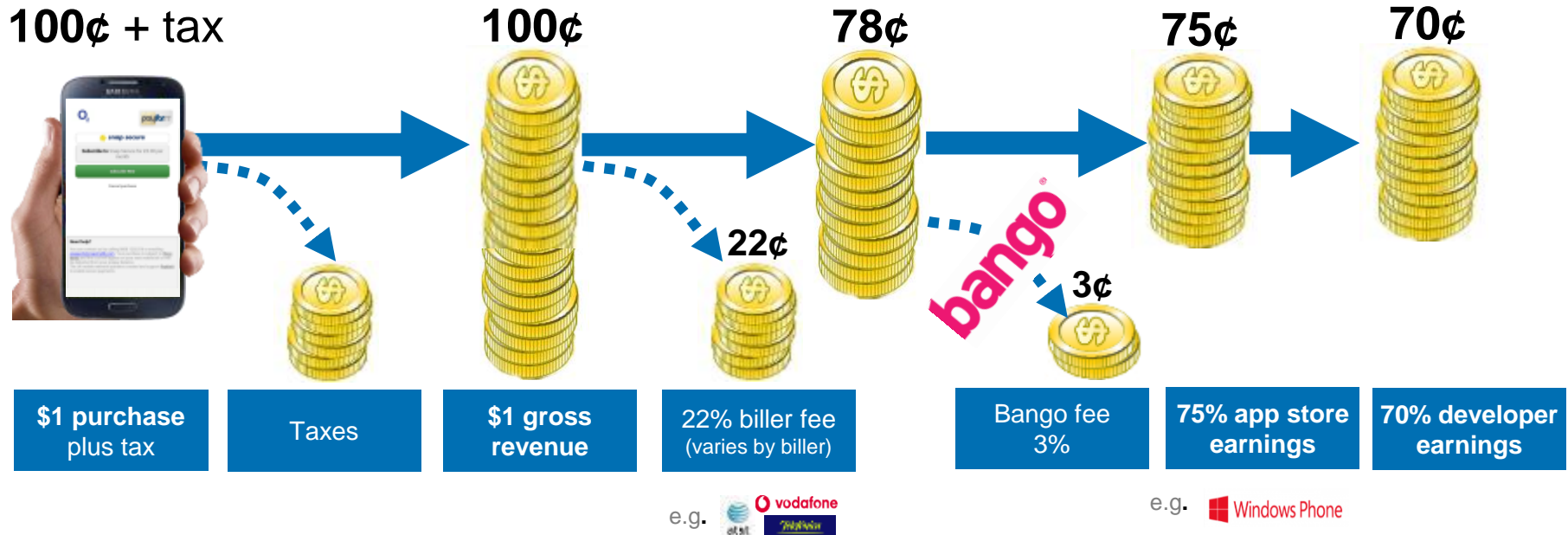


**Settlement**

Bango system collects cash from all billers, converts and pays 60 days after month end

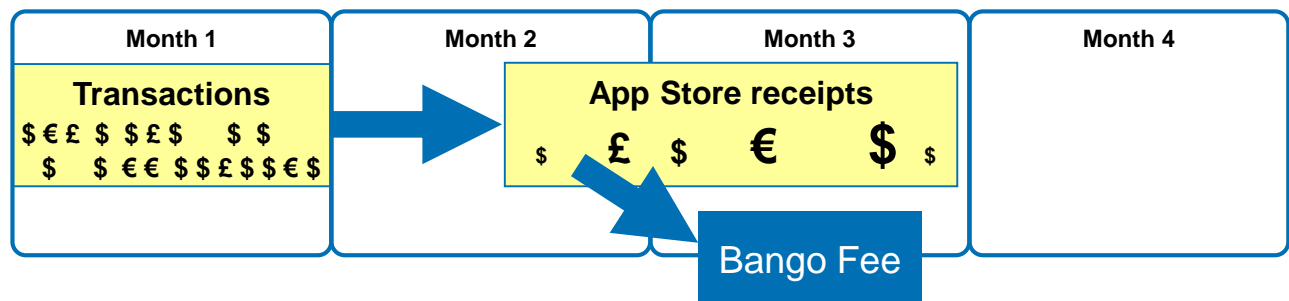


# Bango as “Agent” business model

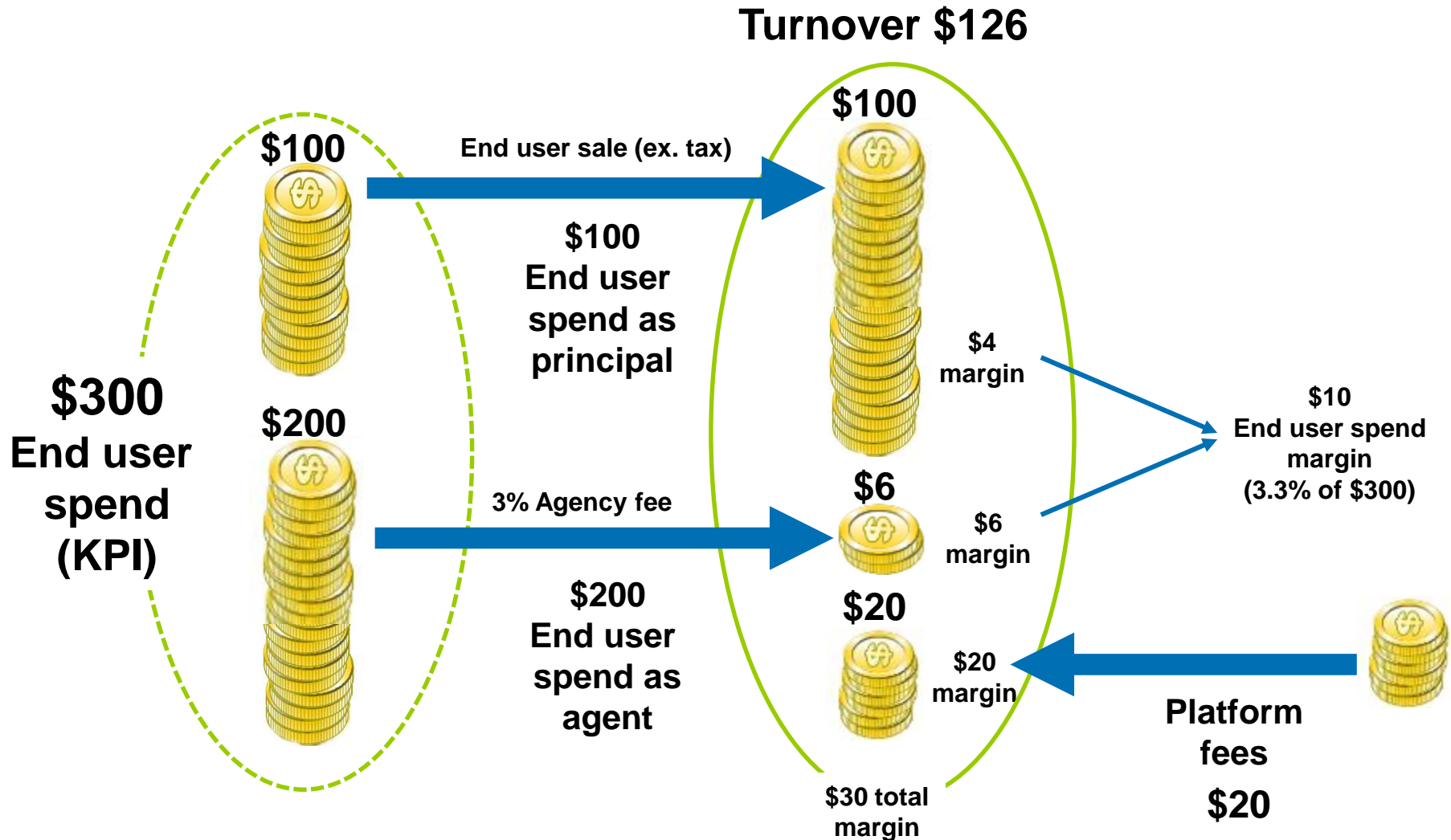


**Settlement**

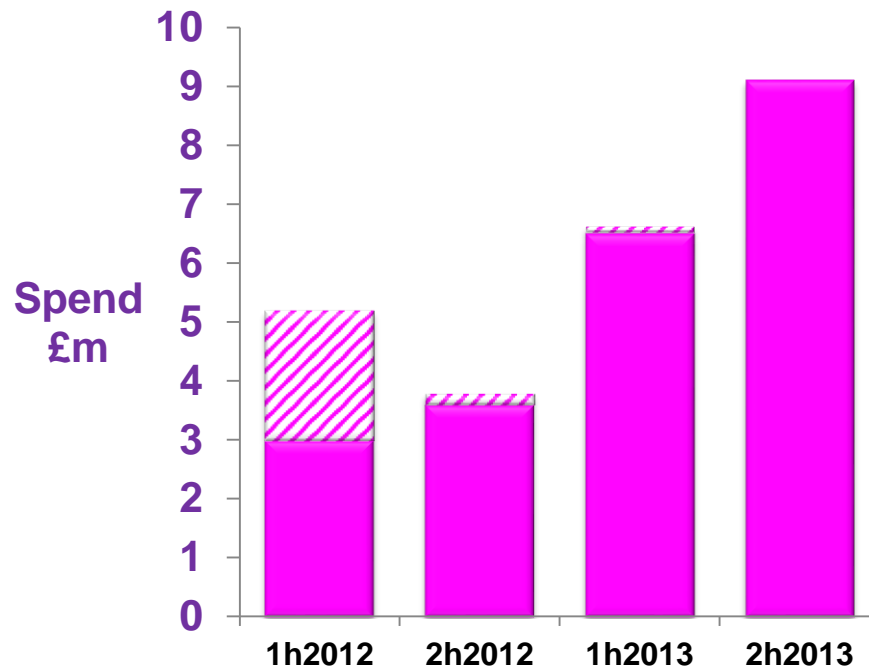
App Store collects cash from MNO using data provided by Bango



# Example turnover calculation



# FY2013 end user spend

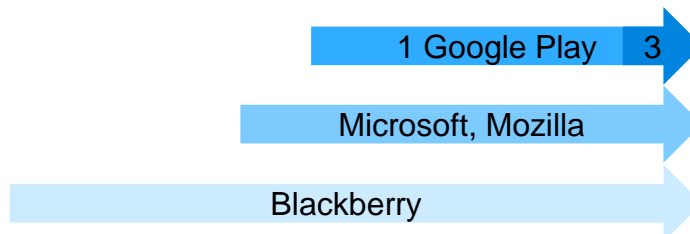


End user spend

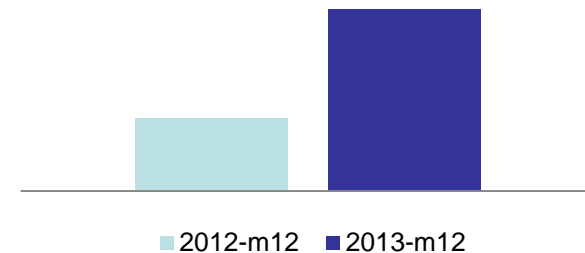
5.2      3.8      6.6      9.0

Gross profit

0.19      0.14      0.22      0.22



Growth in end user spend  
% change from Q4, 2012 to Q4, 2013



- End user spend £15.6m  
- base of Blackberry World  
- new app stores integrations
- End user gross margin 2.3%  
within 2%-5% target range  
(9m2012 3.6%)
- Legacy now less than 5%  
(33% in 9m2012)



# FY2013 income statement



	Note	12 months to 31 Dec 2013 £	9 months to 31 Dec 2012 £
Alternative performance measure (Non-IFRS)			
<b>End user spend</b>	3	15,551,220	6,194,075
<b>Turnover</b>	3	8,788,454	7,351,946
Attributable to digital merchants	3	(5,082,905)	(4,156,457)
		3,705,549	3,195,489
Cost of sales – payment providers	3	(1,637,202)	(1,613,514)
<b>Gross profit</b>		2,068,347	1,581,975
Other administrative expenses	3	(5,086,996)	(3,291,669)
Share based payments	3	(474,958)	(252,718)
Depreciation	3	(408,030)	(184,027)
Amortization	3	(1,032,341)	(423,396)
Total administrative expenses		(7,002,325)	(4,151,810)
<b>Operating loss</b>		(4,933,978)	(2,569,835)
Interest payable		(31,304)	(5,091)
Investment income		35,906	6,513
<b>Loss before taxation</b>		(4,929,376)	(2,568,413)
Income tax		189,904	162,665
<b>Loss and total comprehensive loss for the financial year</b>		(4,739,472)	(2,405,748)
<b>Attributable to equity holders of the parent</b>		(4,739,472)	(2,405,748)
<b>Loss per share attributable to the equity holders of the parent</b>			
Basic loss per share		(10.53)p	(5.91)p
Diluted loss per share		(10.53)p	(5.91)p

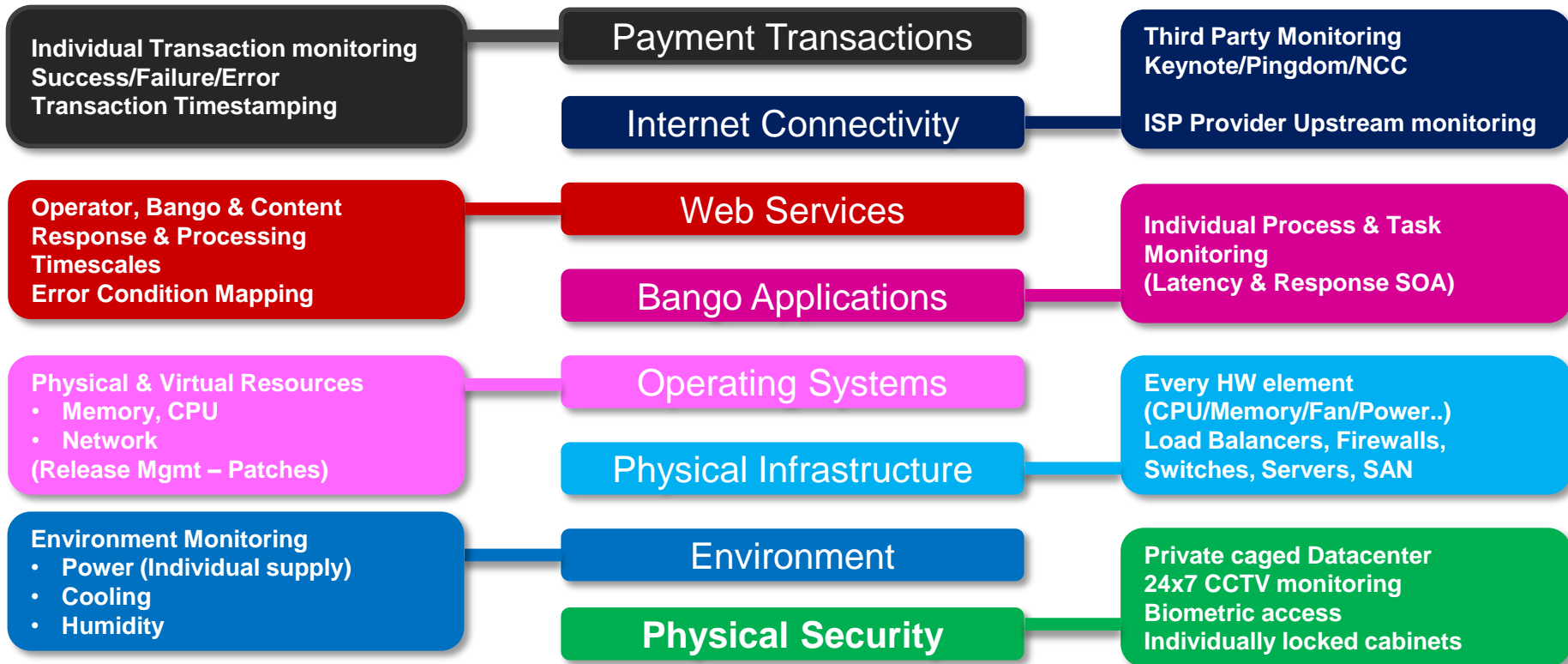
All of the activities of the Group are classed as continuing.

- End user spend increase (see previous slide)
- Total gross profit stable on pro-rated basis
- Operating expenses increased (see next slide)
- Accelerated £270k of R&D amortization
  - Relating to platform developments for specific customers
- Adjusted LBITDA £3.0m (9m2012: £1.7m)

- Increased opex by approx. £90k /month (£1m /year) to meet volume and other expectations of the major new customers
  - leadership and staff to establish 24/7 99.99% capability
  - upgrade main datacenter and add N. America datacenter
  - deploy additional redundancy and security measures
- Established business entities and structures for emerging markets
- Total operating costs £5.1m (9m2012: £3.3m)
- 2014 opex expected to be stable at £5m
  - platform now has more than 20x capacity
  - some cost savings as 24/7 team replaces 3<sup>rd</sup> party providers
- Adjusted LBITDA £3.0m (9m2012: £1.7m)



# Operations ready for scale



# Balance sheet 31 December 2013



	31 Dec 2013 £	31 Dec 2012 £
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	709,632	638,662
Intangible assets	3,377,872	3,277,947
	<u>4,087,504</u>	<u>3,916,609</u>
<b>Current assets</b>		
Trade and other receivables	1,988,687	2,191,349
Research and Development tax credits	189,904	359,113
Cash and cash equivalents	5,110,366	2,327,444
	<u>7,288,957</u>	<u>4,877,906</u>
<b>Total assets</b>	<u>11,376,461</u>	<u>8,794,515</u>
<b>EQUITY</b>		
<b>Capital and reserves attributable to equity holders of the parent company</b>		
Share capital	9,122,069	8,346,604
Share premium account	17,684,376	11,842,076
Merger reserve	1,236,225	1,236,225
Other reserve	1,968,834	1,493,876
Accumulated losses	(21,149,056)	(16,409,584)
	<u>8,862,448</u>	<u>6,509,197</u>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	2,086,485	2,146,363
Finance lease liabilities	147,246	21,778
	<u>2,233,731</u>	<u>2,168,141</u>
<b>Non-current liabilities</b>		
Finance lease liabilities	280,282	117,177
	<u>280,282</u>	<u>117,177</u>
<b>Total liabilities</b>	<u>2,514,013</u>	<u>2,285,318</u>
<b>Total equity and liabilities</b>	<u>11,376,461</u>	<u>8,794,515</u>

Cash raised 2013  
invested in:

- infrastructure and operational capacity
- developing emerging market opportunities
- product development for future deployment (capitalized)

Intangible assets:

- accelerated amortization

# FY2013 cash flow statement



	12 months to 31 Dec 2013 £	9 months to 31 Dec 2012 £
<b>Net cash used by operating activities</b>	<b>(2,526,074)</b>	<b>(1,581,427)</b>
<b>Cash flows used by investing activities</b>		
Purchases of property, plant and equipment	(479,000)	(359,532)
Addition to intangible assets	(1,132,266)	(904,097)
Interest received	35,906	6,513
<b>Net cash used by investing activities</b>	<b>(1,575,360)</b>	<b>(1,257,116)</b>
<b>Cash flows generated from financing activities</b>		
Proceeds from issuance of ordinary shares	6,977,478	3,557,902
Costs associated with issuance of ordinary shares	(359,713)	(198,212)
Interest payable	(31,304)	(5,091)
Capital payable on finance lease obligations	(81,189)	(4,821)
Capital from finance lease obligations	369,762	-
<b>Net cash generated from financing activities</b>	<b>6,875,034</b>	<b>3,349,778</b>
<b>Net increase in cash and cash equivalents</b>	<b>2,773,600</b>	<b>511,235</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>2,327,444</b>	<b>1,794,164</b>
Exchange differences on cash and cash equivalents	9,322	22,045
	<b>2,336,766</b>	<b>1,816,209</b>
<b>Cash and cash equivalents at end of year</b>	<b>5,110,366</b>	<b>2,327,444</b>

Major hardware and software platform refresh in the primary datacenter to substantially increase maximum transaction capacity

- capital expenditure computers and office equipment
- capitalization of internal development

## Indonesia

- Slow settlement, volatile currency, extensive bureaucracy
- Bango platform ideally suited to handling complexity
- Attractive margins
- More than 12 months experience & presence established in Singapore

## Brazil

- Complex tax rules – with MNO indecision on withholding taxes (15-45%)
- Bango Brazil established to accept funds from Brazilian operators

## India

- Privacy rules applied in inconsistent ways
- Withholding tax uncertainty and double taxation treaties
- Very conservative view taken by mobile operators and larger app stores
- Business structure established & Bango engagement through non-establishment to suit funds flow

- Win and grow partnerships to power payments for world's largest digital content channels
- Intense focus on the biggest mobile platforms (Android, HTML5) and on key app stores partners (Google, Amazon, Microsoft, Mozilla)
- Integrating more operators in fast-growth markets as their billing platforms mature
- Bango is developing new products and services that will enable growth of gross margin in the future
- Continue to deliver dependable, secure service at fixed cost
- Build on unique BangolD technology to maximize payment conversion rates and deepen our competitive advantages
- Be ready to capitalize if iOS platform opens-up

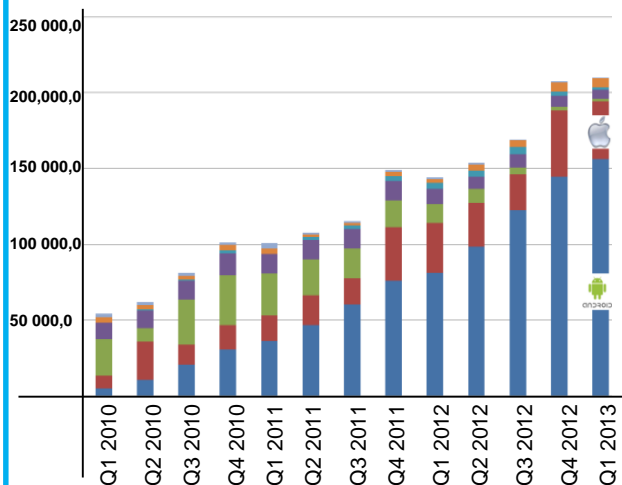
- Now established as the leading mobile operator billing platform with unique technology and extensive relationships
- Google Play spend very encouraging with only 4 operators now live; dozens more in the final stages of testing and implementation
- Exciting potential for Amazon to deploy Bango technology widely
- Mozilla, Microsoft, HTML5 as incremental opportunity
- Bango Payment Flows (as used by Facebook and Mozilla) now available to selected digital merchants alongside app stores
- Strong balance sheet with a strengthened management team in place
- Global user base is shifting to smartphones, generating huge demand and scale for payments

# Appendix

# The market opportunity...

## Smartphone base growing fast:

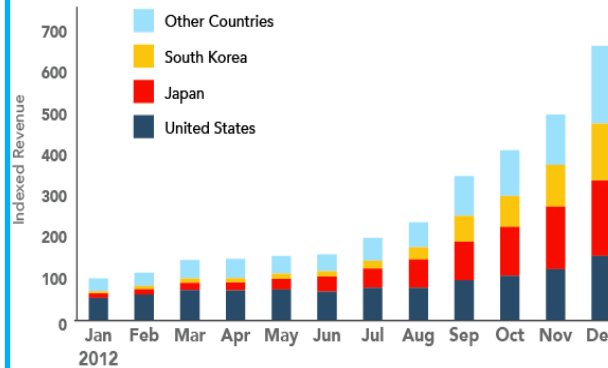
■ Android ■ iOS ■ Symbian ■ RIM ■ Bada ■ Microsoft ■ Others



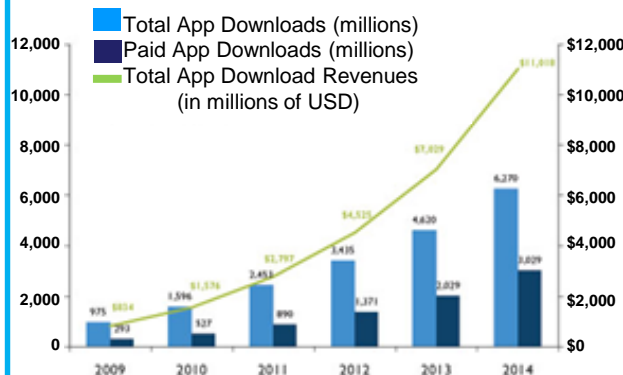
Source: IDC Worldwide Mobile Phone Tracker, August 7, 2013

## App revenues growing fast:

### Google Play Revenue



App Annie  
SOURCE: App Annie Intelligence  
Google Play January 2012 Revenue Index set to 100



## Global smartphone penetration growing fast:

Rank	Country	Q4:12 Smartphone Subs (MM)	Smartphone as % of Total Subs	Smartphone Sub Y/Y Growth
1	China	270	24%	50%
2	USA	172	48	50
3	Japan*	78	65	11
4	Brazil	55	20	35
5	India	44	4	52
6	UK	35	45	31
7	Korea	32	59	35
8	Indonesia	27	9	36
9	France	26	38	33
10	Germany	25	23	19
11	Russia	22	9	44
12	Spain	18	30	14
13	Italy	16	19	28
14	Australia	16	50	44
15	Canada	15	55	38
16	Saudi Arabia	15	31%	38%
17	Philippines	15	14	38
18	Mexico	15	14	55
19	Thailand	14	17	43
20	Turkey	13	19	52
21	Malaysia	12	32	23
22	South Africa	11	18	26
23	Argentina	11	19	55
24	Netherlands	9	47	37
25	Poland	9	16	30
26	Sweden	8	54	24
27	Egypt	7	8	40
28	Iran	7	8	53
29	Taiwan	7	24	80
30	Hong Kong	6	48	48

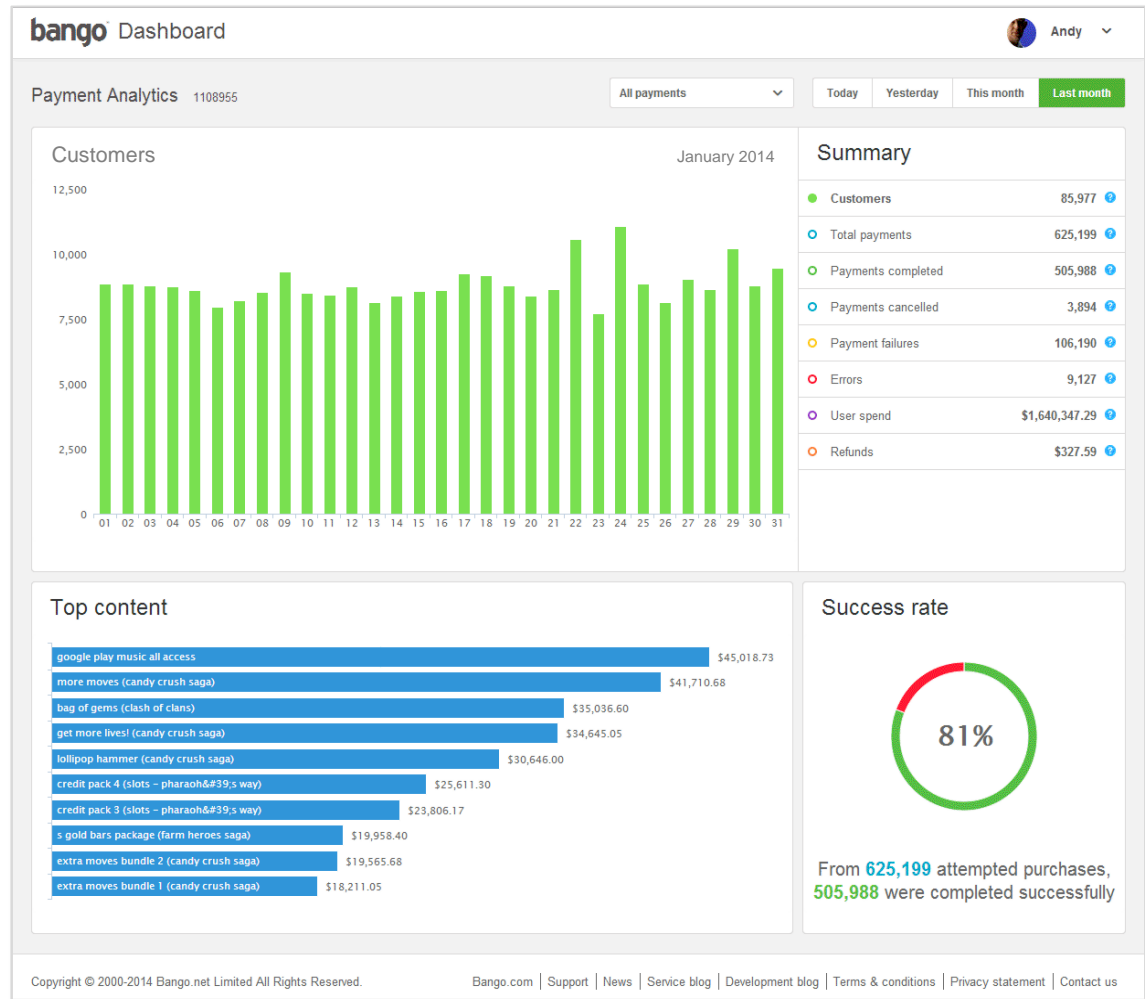


- Large, growing and exciting market
  - Mobile phones are expected to dominate the overall device shipment market\*
  - 1,004.2 million smartphones shipped in 2013, up 38.4% on 2012\*\*
  - Tipping point reached where smartphones are now majority shipped vs. feature phones
  - Highest smartphone sales growth in developing regions
- Apple and Google are the main drivers of the market, with innovation from new entrants such as Mozilla, Facebook, Microsoft and Amazon
  - Android has opened up the market to new users and very wide deployment of smartphones and the mobile web
- Bogus operator billing – in December 2013 major MNOs in the USA announced that they no longer support Premium SMS (PSMS) as a mode of payment
- In 2013, 102 billion app store downloads globally, amounting to \$26 billion in sales
  - 2017 projection 268 billion app downloads, amounting to \$77 billion in revenue

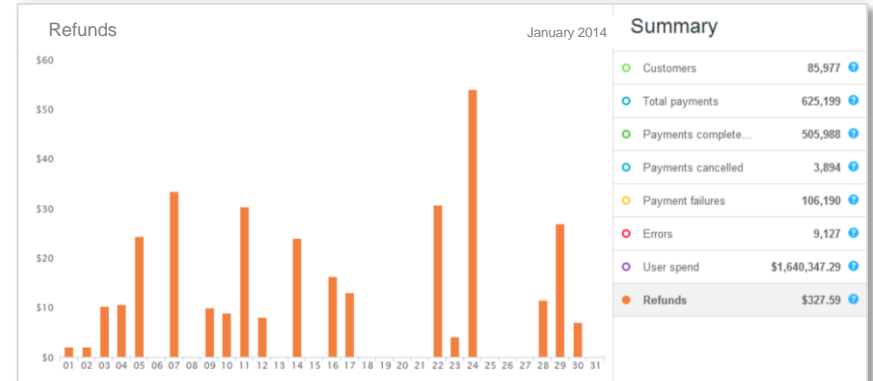
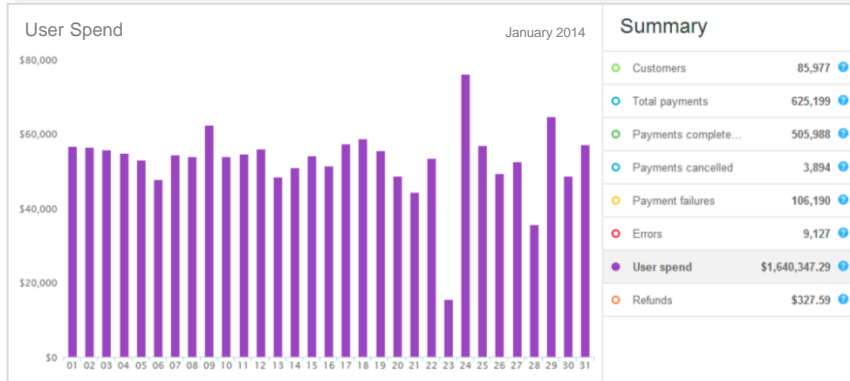
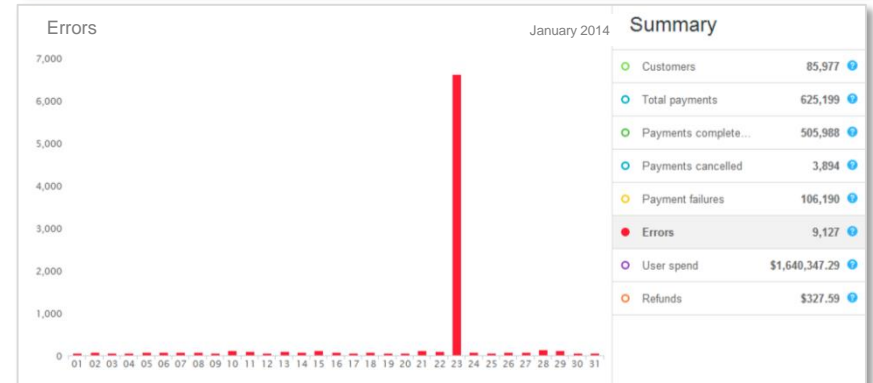
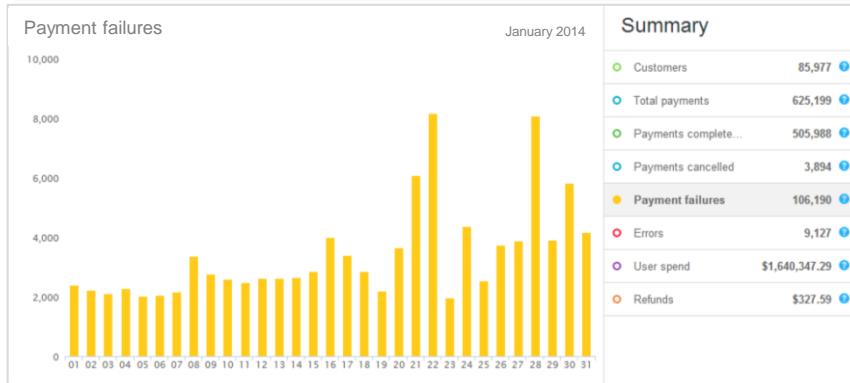
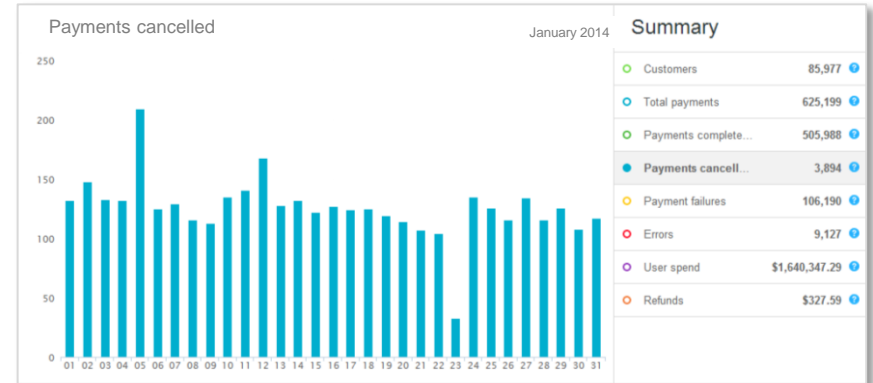
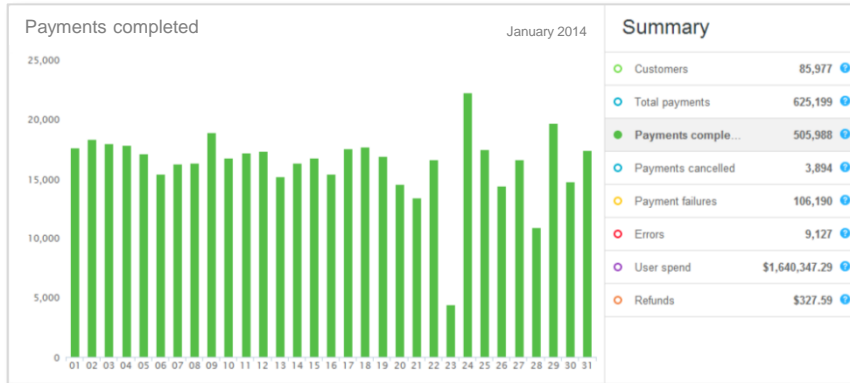
\* Gartner December 2013

\*\* IDC Worldwide Quarterly Mobile Phone Tracker 2014

- High level summary
- Unique users
- User spend
- Payment totals, with
  - Started
  - Completed
  - Cancelled
  - Failures & errors
  - Refunds
- High level indicators
  - Conversion rate
  - ARPU
  - Refund rate
- Month / day views
  - By day / hour



# Bango Dashboard (2)



# Bango's view of competitive options



## Mobile Operator Direct



Limited reach, Wi-Fi problem,  
Service levels, Complexity

Bango  
Partner



Potential  
Customer

## Internal Development Teams



Customer silos, complexity,  
no leverage, time to market,  
weak developer story

## Alternate Billers



Pre-registration, Low conversion  
rates, Complexity of usage

Potential  
Partner

## PC focussed "Pay by Mobile"



Not effective for micropayment  
or "on device" sales

NOTE: Competitive positioning  
diagram giving Bango management  
views and opinion based on experience  
in the marketplace

# What's so bad about BOB anyway?



- Bango provides a high quality operator billing “product” to compare favourably with iTunes and Amazon payments
- High performance, secured through direct integrations and Bango-to-Operator contracts
- Competitive environment littered with indirect “pyramids” of connections and contracts  
- need to clearly step above this “mess”
- BOB, “Bogus Operator Billing”, calls out poor practices and unreliable contractual arrangements
- Attracted substantial media attention to Bango’s success with “blue chip” app store partners



# Harris-Goldberg Model



	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q
1	<b>Bango Payment Intelligence: App Store Monthly Revenue, Margin and Transaction Prediction tool</b>																
2								<b>MNO name</b>									
3		<b>MOUSE OVER ITEMS BELOW FOR GUIDANCE</b>						<b>ENTER:</b>									
4		What is your Mobile Subscriber Base? (millions): ----->						<b>7.0</b>	Enter your Subscriber base here								
5		Current share of Subs Base with App Store Access ----->						<b>15.0%</b>	Enter App Store Share of your Base								
6		Share of Subs Base with App Store Access in 2 years -->						<b>30.0%</b>	Enter to get growth projection for 2 years								
7		Mean transaction value ----->						<b>\$1.35</b>	** From Bango country or other data **								
8		App Store ARPU ----->						<b>\$11.50</b>	** From Bango country or other data **								
9		MNO Margin as % of end user spend ----->						<b>15.0%</b>	Depends on your contract with App Store								
10		Credit Card Erosion ----->						<b>20.0%</b>	Estimated - use 16-30% in developed country, more if App store has big card database								
11							High	Typical	Low								
12	<b>MONTH</b>					Credit Card Erosion	50.00%	16.00%	1.00%				<b>USED</b>				
13	trans/mth					APP ARPU/yr	\$ 60.00	\$ 20.00	\$ 2.00				\$ 11.50				
14	<b>\$sales</b>					Av Trans size	\$ 3.00	\$ 1.67	\$ 0.50				\$ 1.35				
15	MNO margin					MNO margin	20.00%	10.00%	5.00%				15.00%				
16																	
17						<b>Platform Active Subscriber Market Share</b>											
18						Example	Current	2 year growth forecast				Example					
19						1.00%	15.00%	18.000%	22.500%	30.000%		50.00%					
20																	
21						32kt	477kt	572kt	716kt	954kt		1,590kt					
22						\$43K	\$644K	\$773K	\$966K	\$1288K		\$2147K					
23						\$6K	\$97K	\$116K	\$145K	\$193K		\$322K					
24						40kt	596kt	716kt	894kt	1,193kt		1,988kt					
25						\$54K	\$805K	\$966K	\$1208K	\$1610K		\$2683K					
26						\$8K	\$121K	\$145K	\$181K	\$242K		\$403K					
27						48kt	716kt	859kt	1,073kt	1,431kt		2,385kt					
28						\$64K	\$966K	\$1159K	\$1449K	\$1932K		\$3220K					
29						\$10K	\$145K	\$174K	\$217K	\$290K		\$483K					
30																	

# Bango Board and key execs



## **Ray Anderson – Chief Executive Officer and Exec. Director**

Co-founded Bango in 1999. Previously founded IXI which created the standard Unix GUI, and was an early leader in the creation of WWW. IXI merged with SCO and floated on NASDAQ. Ray co-founded Torch Computers - sold to CATSCO in 1984; worked for Acorn Computers, The General Electric Company and Sinclair Research. Ray is a “Cambridge Angel”, is a keen pilot, and gained a 1st in Computer Science from Cambridge University.



## **Gerry Tucker – Chief Financial Officer and Exec. Director**

A seasoned finance leader with excellent track record. Previously acting CFO and Senior Financial Analyst for AIM listed PLUS Markets Group. He held a number of senior financial and operational roles with companies ranging from pre-revenue start-up, to large multi-nationals including: Vodafone, Take Two, Rockstar, Activision. Gerry has a BA Honours in Economics from Cambridge University



## **Anil Malhotra – VP Marketing and Alliances and Exec. Director**

Co-founded Bango. He is a marketing strategist and business developer and has previous experience in senior marketing and business roles at Logotron, CyberLife, Millennium Interactive (sold to Sony Computer Entertainment in 1998), SCO and IXI. Anil has a degree in Psychology from Bangor University, and a master's degree in Computer Science from Essex University.



## **David Sear, Non-executive Director**

David Sear is CEO of Weve, an m-commerce platform funded by major UK MNO's. He was Managing Director at Travelex Global Business Payments, a provider of international payment services to 35,000 businesses across 14 countries. David joined Travelex in March 2006 from Voca Ltd (previously BACS). David was Chief Operating Officer at WorldPay Group plc till its acquisition by NatWest / RBS..



## **Rudy Burger, Non-executive Director**

Managing Partner of Woodside Capital, an investment bank for emerging growth companies. Before that he restructured of Scipher plc and was founding CEO of Media Lab Europe, a \$40M JV between MIT and the Irish government. Over the 25 years, he has founded companies in the US, run a European public company, and served as a senior executive for two global 500 companies. He has a BSc and MSc from Yale University and a PhD from Cambridge University.



## **Martin Rigby, Non-executive Director**

Martin Rigby is CEO of Psonar - an innovative new pay to play music platform. As CEO of ET Capital and at 3i he was a venture capital investor for over 20 years making and managing investments in innovative technology businesses. He is an advisory board member of Centre for Entrepreneurship at Cranfield University. He has an MBA from Cranfield, a degree in IT and Computing from The Open University and a first degree in History from New College, Oxford.



## **David Keeling – Chief Operating Officer**

Responsible for service delivery, global operations and account management. Previously at mobile messaging leader Acision, David built a number of global services centres, enabling 300 clients to serve over one and a half billion customers in 135 countries. David holds a Post Graduate Diploma in Management studies from Middlesex University.



## **Glenn Walker – Chief Technology Officer**

Experienced enterprise application and web site developer and Manager. He is focussed on systems architecture and distributed computing processes, particularly in the field of Web Services and third party integrations. Extensive experience with AJAX and client interactivity in the web sphere for enhanced Web 2.0 customer interaction. Previously at Moneyfacts, CCTA and Loughborough University



Shareholder	Shares	%
LIONTRUST ASSET MANAGEMENT	6,859,947	15.04%
MR RAYMOND ANDERSON	6,624,036	14.52%
HERALD INVESTMENT MANAGEMENT	6,570,981	14.41%
ANIL MALHOTRA	4,022,000	8.82%
WELLINGTON MANAGEMENT	2,455,209	5.38%
INFLECTION POINT INVESTMENTS	2,089,639	4.58%
HARGREAVE HALE	1,950,646	4.28%
STANDARD LIFE INVESTMENTS	1,864,466	4.09%

Other Directors: Number of shares (% of issued share capital)

MARTIN RIGBY: 14,067 (0.03%)

GERRY TUCKER: 8,231 (0.02%)

Bango plc's issued share capital is 45,610,343 ordinary shares of 20p each of which 23.39% is not in public hands.