

migme Limited

Social media platform – next 3.5 billion users

migme Limited (MIG.ASX) is headquartered in Singapore and provides a social entertainment platform targeted at the rapid growth forecast for smartphone and mobile internet usage in emerging markets. The initial focus is Indonesia and India, where there are an estimated one billion mobile phone users and MIG has first-mover advantage. Recent growth in monthly active users (MAUs) has been strong, more than doubling to seven million in the six months to October 2014.

Business model

MIG's business model is based on the virtual goods model used by Tencent (HK.700), YY.com (YY.US) and others rather than on the advertising business model used by Facebook and Twitter. Broadly speaking MIG drives its user base by partnering with mobile phone suppliers to pre-install the migme app and with key celebrities to help to attract and engage users. It monetises this user base by offering freemium services (chat, blogging etc), which encourage users to upgrade to paid for premium activities and virtual goods. The proceeds from selling these virtual goods are shared between MIG and the celebrity, which in turn encourages more celebrities to partner with MIG.

Partnerships and acquisitions help drive reach

Before debuting on the ASX (August 2014) MIG obtained a strategic investor with 19.9%, FIH Mobile (a subsidiary of Hon Hai Precision Co Ltd, Taiwan), which produces 40m to 60m handsets per month. It also recently acquired alivenotdead, an HK-based artist management company, and LoveByte Pte, a couples-sharing mobile app. Other recent deals include signing three of the four key music labels in Indonesia – Universal, Sony and Warner; agreement with two major handset providers in Indonesia, which account for half the mobile shipments; and extension of the payment platform in Indonesia through DOKU.

Valuation: Early stages of commercialisation

The open social entertainment platform launched in May 2014 and is in the early stages of commercialisation. There are no consensus estimates available and past performance provides limited insight because of the change from a closed to an open platform. The MAU growth rate is expected to continue as MIG adds more content to the site and builds its user community in Indonesia and replicates the model in new markets. Meaningful revenues are not expected until 2015. MIG has sufficient cash resources to fund operations for up to two years (A\$9.6m at 30 September 2014).

Historical financials

Year end	Revenue (US\$m)	PBT (US\$m)	EPS (c)	DPS (c)	P/E (x)	Yield (%)
12/12	3.3	(5.0)	(0.06)	0.0	N/A	N/A
12/13	2.8	(4.5)	(0.07)	0.0	N/A	N/A

Source: migme Ltd (formerly Project Goth Inc) financial statements. Note Project Goth was the operating business that was merged with Latin Gold to form migme Limited in May 2014.

Software and services

24 November 2014

Price **A\$0.4**
Market cap **A\$100m**

Share price graph



Share details

Code	MIG
Listing	ASX
Shares in issue	250.6m

Business description

migme (MIG) is a social entertainment platform targeting the world's next wave of internet users – the 3.5 billion people in emerging markets. The service offers free chat, content and blogging services to acquire new users. These users buy virtual goods including gifts, games, avatar items, emoticons and stickers.

Bull

- Reduction in price of smartphones.
- Growth of mobile usage set to explode in South and South-East Asia driven by social media and entertainment.
- Scalable model.

Bear

- Deterioration of economies in target markets.
- Privacy issues.
- Competition from local players.

Analysts

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