

Minds + Machines Group Limited

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Minds + Machines sees recurring revenues surpass overheads as portfolio gathers pace

- Owner of top-level domain portfolio
- International network of registrars and domain distributors
- '.luxe' crypto wallet domain supported by 71 registrars
- Recurring revenues up 97% in 2018, surpassing overheads for first time

What Minds + Machines does:

Minds + Machines Group PLC (LON:MMX) owns and operates a portfolio for generic top-level domains (TLDs).

TLDs are the suffixes attached to the end of website addresses (e.g. .com, .org, .net), with MMX's portfolio mainly focusing on geographic domains (.london, .boston, .miami), professional occupations (.law), consumer interests (.fashion, .wedding, cooking), lifestyle (.fit, .surf, .yoga), outdoor activities (.fishing, .garden, .horse) and generic names (.vip, .work, .casa).

In total, MMX owns around 26 TLDs. A particular highlight is its '.luxe' domain, which looks to provide a standardised naming convention for blockchain addresses.

MMX works with an international network of registrars and domain distributors to help disseminate its portfolio, counting registrars like US-based GoDaddy Inc (NYSE:GDDY) among its partners.

How is it doing:

Minds & Machines' full-year 2018 results, released on 3 April, showed an 'exceptionally strong' start to the current year, with recurring revenues now accounting for the majority of the group's income.

Gross revenues rose by 5% to US\$15.1mn in 2018, with recurring revenues 97% higher at US\$9.4mn, which surpassed overheads for the first time. The company's losses soared, however, to US\$12.7mn as the company cleared out loss-making contracts, bad debts and wrote-down assets.

So far in 2019, the group said, domain registrations are up to 1.87mln from 1.81mln at the year-end. First quarter billings rose by 246% due to a combination of the first time ICM contribution and a significant increase in billings from China, helped by .law registrations.

In a trading update a month earlier, the company had already revealed that it would be debt-free by the end of March, with its cash balances having risen to US\$11.9mln by the start of that month.

MMX also announced that it is working with the lead developers of the Namecoin blockchain and XAYA platform to develop an easy-to-use naming solution that will integrate human readable .luxe addresses with bitcoin alphanumeric addresses. It is expected the .luxe bitcoin naming service will go live in the second half of this year.

In December 2018, MMX had said .luxe was then supported by 71 registrars globally and it had recouped its initial

Price: 6.45p

Market Cap: £59.65M

1 Year Share Price Graph



Share Information

Code: MMX

Listing: AIM

52 week High Low
9.17p 5.04p

Sector: Software & Computer Services

Website: mmx.co

Company Synopsis:

Minds + Machines Group Limited (LSE:MMX), commonly known as 'MMX', is a sales and marketing led owner of new generic top-level domains.

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investment in the TLD within the first four weeks of launch, which was on 26 October.

The group also confirmed in March that it had appointed Christa Taylor as its new chief marketing officer and Daniel Schindler, the co-founder of Donuts Inc, the world's largest new TLD operator, as a special advisor.

What the boss says: - Toby Hall, chief executive:

"Q1 sales are significantly ahead of the same period last year resulting from a combination of the first time contribution from ICM, healthy trading in China and steady growth in sales from the European and US teams.

"We likewise look forward to the benefits of certain underlying contract renegotiations beginning to feed through into the business in H2 and the subsequent period; the business is now well positioned for ongoing growth."

Blue Sky:

In a note to clients following the full-year numbers, analysts at 'house' broker finnCap said the results highlight the transformation from the struggling business management inherited in 2016.

They said: "It is delivering on its strategy of profitable organic growth allied to targeted acquisitions and innovative development to become a leading pure-play registry in the gTLD market. MMX continues to enjoy rapid registration growth and high renewal rates from an extensive portfolio which is growing in range and value.

"That is building predictable recurring revenue which now covers the cost base ahead of partner payments."

The analysts added: "Underlying results beat sales and profit expectations but were reduced by \$0.6m due to a 2016 contract adjustment.

"Housekeeping of old contracts, and acquisition and restructuring costs contributed to heavy exceptional items; however, this clears the decks for continued profitable growth."

finnCap has a 17p target price on Minds + Machines' shares, which currently trade at 5.80p giving it a market cap of around £53m.

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