

MeetMe (MEET)

NASDAQ: MEET

Analyst: Zach Collins.

BUY

Price Target: \$4.84

Key Statistics

Market Price: \$3.24
Industry:
Internet Software
and Services
Market Cap: \$169M
52 Week Range:
\$1.32 – \$4.54
Beta: 0.77

Thesis Points:

- Increasing margins
- High hedge fund interest with little short interest
- High growth industry

Company Description:

MeetMe, Inc. owns and operates a location based social network for meeting new people on the web and on mobile platforms in the United States. MeetMe permits the meeting of new people and encourages users to connect and chat with each other. MeetMe is free to use and monetizes through advertising, in-app purchases, and paid subscriptions.



Thesis

MeetMe is an up and coming company within the social networking industry. MeetMe has just started generating positive net income and shows strong signs that this trend will continue. MeetMe is free to their users and generates profit through relationships with advertisers, as well as in-app purchases, and paid subscriptions that offers their users premium features. This industry shows signs of exponential growth for years to come, and has become increasingly popular in recent years. MeetMe has found their own unique market niche within this industry. As this site introduces new users to each other, rather than connecting people that users already know like most social networking sites. MeetMe is also different from other dating websites in the sense that it encourages new users to connect on a friendly basis, rather than simply dive into a formal date like other dating websites.

Industry Outlook

It is important to understand in recent years, how popular social media has become in society. Social applications such as Facebook, Twitter, LinkedIn, and Snapchat have taken the world by storm in terms of popularity and number of users. The chart below depicts analysts' forecast for the growth of revenue of social media applications up to 2020.



As you can see from this chart, social media is predicted to be a trillion dollar industry by 2020. MeetMe is not only a social media app, as it also has certain qualities that make it similar to a dating website. Dating websites have also shown exponential growth in terms of popularity and

number of users, as more and more people are now meeting online.

Porter's 5 Forces

Bargaining Power of Suppliers: bargaining power of suppliers is high for MeetMe, as they require multiple third party relationships from advertisers for the functionality of their mobile and web based platforms.

Bargaining Power of Customers: bargaining power of customers is moderate for MeetMe as there are countless other social networks consumers can turn to. However the unique aspects of the MeetMe business model separate them from their competition.

Threat of New Entrants: the threat of new entrants in this industry is moderate. It is simple enough to create your own social networking website. But to generate revenue you must have established relationships with advertisers to fund the operations of the business

Threat of Substitutes: the threat of substitutes for this industry is low

Intensity of Existing Rivalry: the intensity of competition in this industry is very high. There are countless social networking and dating applications. However MeetMe has found their own unique market niche within this industry.

High hedge fund interest with low short interest

One of the primary factors an analyst will look at when picking a stock is the type of ownership interested in the stock. The image below shows the high hedge fund interest in MeetMe.

Top Ownership Type (%)			
54) Ownership Type	05/01/16	Curr	Change
41) Hedge Fund Manager	43.36	41.09	-2.27
42) Investment Advisor	36.89	40.27	+3.38
43) Individual	16.37	15.51	-0.86
44) Corporation	1.97	1.86	-0.11
45) Pension Fund	1.29	1.14	-0.15
46) Insurance Company	0.13	0.13	0.00
47) Bank	0.00	0.00	0.00

Hedge Fund Managers are typically the most informed investors in the market. A hedge fund ownership percentage this high suggests it is a fundamentally strong investment opportunity. This combined with the 2.8% short interest shows the market has a positive outlook on this company.

Increasing Margins

The fiscal 2015 fiscal year was the first year in the history of the company in which MeetMe was able to generate positive net income. A trend that analysts' are forecasting to continue. MeetMe was able to do this primarily through an increase in their EBITDA margin. Factors that contributed to this increase in EBITDA include an 84% year over year growth from mobile revenue. As well as a 9% decrease in operating costs.

	FY 2012	FY 2013	FY 2014	FY 2015	Current/LTM	FY 2016 Est	FY 2017 Est
	12/31/2012	12/31/2013	12/31/2014	12/31/2015	12/31/2015	12/31/2016	12/31/2017
Revenue, Adj	46.7	40.4	44.8	96.9	56.9	64.1	72.8
Growth %, YoY	335.8	-13.5	11.0	27.0	27.0	12.7	13.6
Gross Profit, Adj	-	-	-	-	-	-	-
Margin %	-	-	-	-	-	-	-
EBITDA, Adj	0.2	-3.1	1.2	16.9	16.9	23.9	28.6
Margin %	0.4	-7.8	2.7	29.6	29.6	37.3	39.2
Net Income, Adj	-5.6	-9.2	-3.9	9.6	9.6	18.5	22.6
Margin %	-12.0	-22.9	-8.7	16.9	16.9	28.9	31.1
EPS, Adj	-0.15	-0.25	-0.10	0.19	0.20	0.36	0.43
Growth %, YoY	51.7	-60.8	60.2	-	487.0	83.8	19.7
Cash from Operations	-0.8	-0.7	4.6	7.2	7.2	-	-
Capital Expenditures	-0.7	-0.1	-1.1	-1.8	-1.8	-2.8	-2.7
Free Cash Flow	-1.6	-0.9	3.5	5.4	5.4	17.0	23.7

As you can see from this snapshot of their financials, MeetMe has increased their level of profitability through both top and bottom line growth. And based on the consistent increase in their user base, as well as the positive industry outlook for social media sites, this a trend that should continue in the near future. MeetMe also shows financial strength through their balance sheet, as they do not have much long term debt.

Conclusion

After taking into consideration the high growth of the social networking industry, as well as the uniqueness of their business model within this industry, I believe this is an attractive company with significant growth potential. With these factors in combination with the financial strength of MeetMe, I recommend a long term buy and hold on MeetMe.

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MeetMe, Inc. (meet)

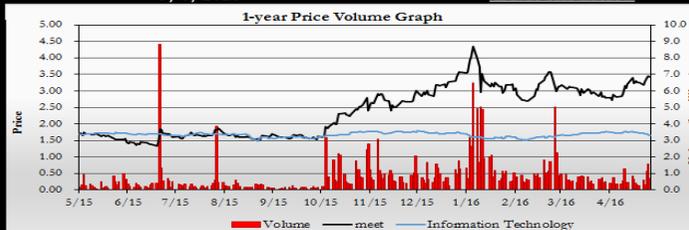
BULLISH

Analysis by Zach Collins
5/6/2016

Current Price: \$3.56
Dividend Yield: 0.0%

Intrinsic Value: \$3.77
Target Price: \$4.65

Target 1 year Return: 30.55%
Probability of Price Increase: 100%



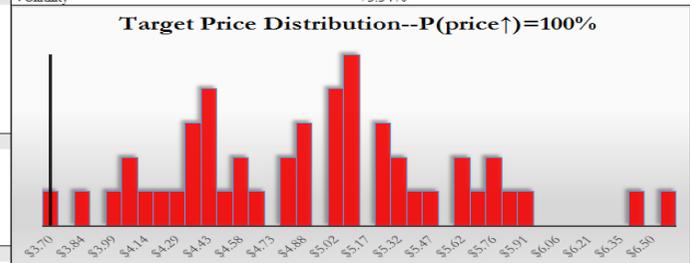
Description
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General Information
Sector: Information Technology
Industry: Internet Software and Services
Last Guidance: November 3, 2015
Next earnings date: May 5, 2016
Estimated Country Risk Premium: 6.00%
Effective Tax rate: 40%
Effective Operating Tax rate: 40%

Market Data	
Market Capitalization	\$162.37
Daily volume (mil)	0.96
Shares outstanding (mil)	47.48
Diluted shares outstanding (mil)	49.54
% shares held by institutions	78%
% shares held by investments Managers	16%
% shares held by hedge funds	12%
% shares held by insiders	5.72%
Short interest	2.65%
Days to cover short interest	1.56
52 week high	\$4.54
52-week low	\$1.32
Levered Beta	0.85
Volatility	75.54%

Past Earning Surprises	
Quarter ending	Revenue
12/31/2014	-0.91%
3/31/2015	2.02%
6/30/2015	4.57%
9/30/2015	0.76%
12/31/2015	1.95%
Mean	1.68%
Standard error	0.9%

EBITDA		Peers	
12/31/2014	-31.11%	Twitter, Inc.	
3/31/2015	90.30%	TrueCar, Inc.	
6/30/2015	21.37%	Spark Networks, Inc.	
9/30/2015	-122.61%	Facebook, Inc.	
12/31/2015	-7.48%	TheStreet, Inc.	
Mean	-9.90%	Renten Inc.	
Standard error	34.8%	Angie's List, Inc.	



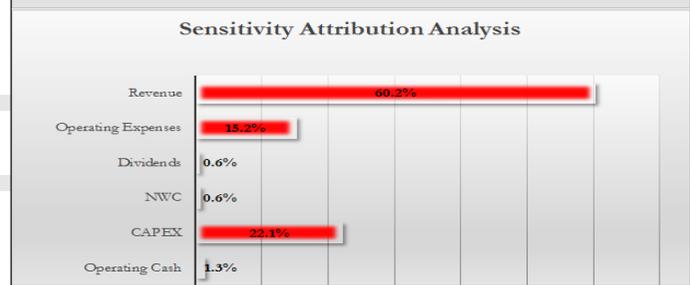
Management		Position	
Cook, Geoffrey	Chief Executive Officer, Dir	Chief Executive Officer, Dir	
Clark, David	Chief Financial Officer	Chief Financial Officer	
Beckley, Frederic	Executive Vice President of	Executive Vice President of	
Alena, William	Chief Revenue Officer	Chief Revenue Officer	
Friedman, Richard	Consultant	Consultant	
Harris, Jonah	Chief Technology Officer	Chief Technology Officer	

Profitability		Invested Funds	
ROIC	7.1%	Total Cash/Total Capital	9.6%
NOPAT Margin	23%	Estimated Operating Cash/Total Capital	9.5%
Revenue/Invested Capital	0.32	Non-cash working Capital/Total Capital	5.1%
ROE	6.9%	Invested Capital/Total Capital	100.0%
Adjusted net margin	21%		
Revenue/Adjusted Book Value	0.33		

Capital Structure		Porter's 5 forces (scores are out of 100)	
Total Debt/Common Equity (LTM)	0.07	Bargaining Power of Suppliers	44
Cost of Existing Debt	13.38%	Bargaining Power of Customers	50
Estimated Cost of new Borrowing	2.86%	Intensity of Existing Rivalry	42
CGFS Risk Rating	A	Threat of New Competition	71
Unlevered Beta (LTM)	0.77	Threat of Substitutes	75
WACC	8.95%		

Total compensations growth		Total return to shareholders	
12/31/2014	-3.61% per annum over 3y	12/31/2014	-11.38% per annum over 3y
3/31/2015	-28.68% per annum over 1y	3/31/2015	-16.39% per annum over 1y
6/30/2015	191.41% per annum over 3y	6/30/2015	-11.38% per annum over 3y
9/30/2015	18.23% per annum over 3y	9/30/2015	-11.38% per annum over 3y
12/31/2015	-7.57% per annum over 1y	12/31/2015	-16.39% per annum over 1y
Mean	N/M	Mean	N/M
Standard error	N/M	Standard error	N/M

Invested Funds		Capital Structure	
Total Cash/Total Capital	9.6%	Total Debt/Common Equity (LTM)	0.07
Estimated Operating Cash/Total Capital	6.1%	Cost of Existing Debt	13.38%
Non-cash working Capital/Total Capital	4.3%	Estimated Cost of new Borrowing	2.86%
Invested Capital/Total Capital	99.2%	CGFS Risk Rating	A
		Unlevered Beta (LTM)	0.77
		WACC	8.95%



Period	Revenue growth	Valuation	ROIC/WACC
Base Year	27.0%	NOPAT margin	0.80
12/31/2016	11.8%		1.23
12/31/2017	11.3%		1.21
12/31/2018	15.8%		1.21
12/31/2019	12.2%		1.15
12/31/2020	9.8%		1.14
12/31/2021	8.9%		1.10
12/31/2022	6.4%		1.04
12/31/2023	4.3%		0.96
12/31/2024	3.3%		0.92
12/31/2025	2.4%		0.89
Continuing Period	3.0%		0.99

Period	Invested Capital	Net Claims	Price per share
Base Year	\$11.87	\$26.10	\$3.78
12/31/2016	\$118.51	\$11.55	\$4.57
12/31/2017	\$144.44	-\$9.21	\$5.35
12/31/2018	\$161.56	-\$25.61	\$6.19
12/31/2019	\$179.48	-\$46.43	\$7.11
12/31/2020	\$201.68	-\$70.84	\$8.03
12/31/2021	\$229.62	-\$94.63	\$8.93
12/31/2022	\$250.55	-\$122.26	\$9.85
12/31/2023	\$279.96	-\$152.86	\$10.78
12/31/2024	\$308.05	-\$185.67	\$11.72
12/31/2025	\$353.21	-\$220.18	\$12.65
Continuing Period			