



Redknee's Reporting Soon: What You Need to Know

Description

By: Chris Lau

When **Redknee** (TSX:RKN) reports quarterly earnings on December 12, it could demonstrate growth for real-time billing solutions is accelerating. Thanks to growth in mobile and IP data traffic, contract wins worldwide will mean higher revenue. To position itself strategically, the company is exposed to 3 growing areas of technology. First, its subscriber management tool is fully social with **Facebook** and **Twitter**. Second, it offers a feature-rich cloud offering. Third, it lets companies manage subscribers across any platform including mobile. After already doubling in the last year, Redknee could be poised for more upside.

About the company

Redknee lets service providers promote and bundle offerings across any platform, from mobile, to broadband, to satellite.

Redknee offering Redknee's offering is unknown

Source: Redknee

The company is the largest independent provider of converged billing and charging solutions. This includes customer care and analytics software. Redknee already has over 200 customers spread across 90 countries. The company has more than 100 patents filed, with which more than 35 patents were already granted. Companies using Redknee's solution will have tools to personalize the user experience for its subscribers. This gives companies an edge when it comes to providing a better customer experience.

Redknee offers its customers increased revenue per subscriber, lower churn, and lower costs to manage subscribers. Redknee's solutions allow for real-time promotions and subscriber support at a much lower cost. The company claims subscriber support costs could be cut by at least 50%.

At the heart of Redknee's self-care solution is the convergence of invoicing and billing. By centralizing

the invoicing and customer care in real time, companies may push out real-time promotions and build loyalty amongst their customers.

Sustained future growth

Redknee is experiencing strong demand. In Q3/2013, the order backlog increased to \$163M. Revenue is consistently growing, thanks to 50% of the backlog being recurring in nature. In the last 6 years, recurring revenue grew positively (see chart below). Support contracts and long-term services make up 53% of recurring revenue. SaaS and term licenses are between 3 to 7 years in duration.

Redknee revs

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Source: Redknee

Redknee aims to have recurring revenue account for 55% of total revenue, which would make cash flow more predictable. Overall, demand for billing platforms is expected to be driven by mobile data growth, network platform upgrades, and subscriber growth.

The company is gaining traction in the emerging markets. In September 2013, it [won](#) a multi-million dollar contract with an EMEA operator to supply its converged billing and charging solution. That same month, it [struck](#) a strategic relationship with **Microsoft** Windows Azure. Its billing and customer care solution will run on Windows Azure.

Balance sheet highlights

Redknee had \$77.7M in cash and equivalents as at the third quarter of 2013 and long term debt of \$19.12M. Debt rose because Redknee [acquired](#) Nokia (NOK) Siemens Networks' BSS unit for \$52M.

Period Ended	6/30/2012	9/30/2012	6/30/2012
Total Debt	19.125.525.49	5.46	5.75

	-57.78	-	-	-11.42	-13.88
	15.40	5.93			
Net Debt					
\$, in millions					
USDS					
Source: Redknee					

Risks

Redknee shares are at all-time highs. It could face delays in scaling its solution on the cloud. Redknee wants to win even bigger contracts with customers, but a delay in doing so could convince investors to take profits after the quarter is reported.

Bottom Line

Continued growth in the wireless industry will convince carriers to look for solutions that help manage customer engagement and facilitate promotions in real time. This is a unique offering from Redknee. The company is boosting recurring revenue while integrating the Nokia Siemens Networks' BSS acquisition to boost earnings organically. We look forward to seeing additional signs that the business is evolving on December 12.

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- Investing

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