

# Mercury merger a hot deal of m.Net

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**MOBILE phone application developer m.Net will merge with listed entity Mercury Mobility in a deal worth \$12.4 million.**

The Adelaide-based company, which was ranked the fastest-growing technology company in Australia last year by *Business Review Weekly*, will join forces with Brisbane-based Mercury, which develops and sells content such as ring tones and music, as well as the technological platforms that deliver it.

M.Net chief executive Horden Wiltshire said Mercury was a natural fit.

"What these guys specialise in is content and content delivery platforms," Mr Wiltshire said.

"What we do is essentially everything else in mobile, so we create high-end premium mobile destinations; we provide all the SMS services, MMS services... all the other elements, and in the past we would license their technology from them, because that was the one bit that we didn't do."

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The business would be targeting both the Australian and overseas markets, with each company having existing North American businesses.

"We've got a number of customers in the U.S.," he said.

"We're developing a number of mobile sites in the U.S., in particular, through our relationship with Yahoo!"

"(Mercury) has got Bell Canada and so we're starting to get a critical mass of customers over in that North American market."

Mr Wiltshire will become chief executive of the merged entity, which will be based in Sydney, while retaining its workforces in SA and Brisbane. He said the listing on the Australian Securities Exchange was likely to be an advantage in the long term as investors came to understand the mobile space better.

"People are just getting their heads around this stuff," he said.

"We just finished a survey recently - 20 per cent of respondents visited the web on their phone every day.

"That was off a very low base.

"You know what's happened to the micro-caps (small companies) from a valuation perspective - they're all down a ton.

"We have clear views about where we think valuation is going to go over the next couple of years; otherwise we wouldn't have done the deal."

Under the deal, Mercury will issue m.Net's shareholders with 105 million new shares, worth \$6.19 million at yesterday's share price of 5.9c, up 7.3 per cent on thin volume. Mercury and m.Net's present shareholders would end up with half of the company each.

The deal has already been approved by m.Net's major shareholders, Yahoo!7, Alcatel-Lucent and Telstra.

It is conditional upon acceptance from m.Net's minority shareholders and the approval of Mercury shareholders at a meeting to be held next month.

The name of the merged entity has not yet been determined.

Mercury posted an operating net loss of \$213,625 last financial year, down from \$1.64 million, on revenues of \$5.48 million.

In the past five years, m.Net has grown its revenues from \$525,000 to more than \$7.8 million a year. Mr Wiltshire said there would be some job losses at the managerial level. Mercury founder and managing director Ben Grootemaat will stay as an executive director.

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