Helios and Matheson Add Function to Growing RedZone Map App

Helios and Matheson have a useful app; will the company be able to monetize it?
By Christopher Malcolm, February 24, 2017

Helios and Matheson (NASDAQ:HMNY) acquired the RedZone Map app last summer. I just got back from the trip of a lifetime to Hawaii and found this Helios and Matheson app extremely useful.

The story of how I discovered the app is a little embarrassing; it relates to a guilty pleasure of mine. I have always loved watching the reality show "Dog the Bounty Hunter," not exactly the most intellectually stimulating of programs.

If you aren't familiar with the show it follows a bounty hunter named Duane "Dog" Chapman who travels the rough areas of the Oahu tracking fugitives. By watching that show I saw parts of Hawaii I did not want my family to see.

Before taking our trip to Hawaii I researched ways I could navigate our rental van around the island without ending up in dangerous places. That is how I discovered Helios and Matheson's RedZone Map app.

We used the app during our time in Oahu and were pleased with the results.

The app gathers data that, when combined, identifies the neighborhoods/areas you absolutely want to skip while traveling. If you are traveling around your own city you won't need the app because you know what to avoid. If you are in a city (or country) unfamiliar to you (as I was), the app has real value.

Helios and Matheson listed the features of the app as follows:

- **Identifying crime areas** – Over time the app collects crime data with a focus on the most recent occurrences (past 48 hours).

- **Early warning** – To be of any real use, the driver must be alerted before he gets past the point of no return. The app apparently does this by providing a verbal warning to the user five miles before it reaches a high crime area.
- **Shared information** – App users become contributors of information that the app uses. They do this by "dropping pins" where they notice a crime zone as well as routes that have other traffic and road hazards.
- **Designing a route** – The app user can design a safe route before even starting out on his or her trip. On the app, you simply indicate your starting point and your ending point, and the app can show you whether the route is safe to travel on.
- **Live updates** – The app is linked to social media, which allows the user to constantly be informed of what is happening now. This feature on the app is called (appropriately enough) "happening now."

While doing the research to write this article I noticed that the company had added a new feature. The app now allows users to see the location and date of reported hate crimes. This enhanced feature of the RedZone Map app uses geo-mapped crime data to provide an accurate and up-to-date picture of hate crimes across the United States.

The RedZone app is able to provide a breakdown of hate crimes by type:

Hate Crime Class	Percent of Reported Hate Crimes Nov. 1, 2016 – Feb. 21, 2017
Racial	71.5%
Property	20.32%
Sexual Orientation	3.92%
Bullying	2.84%
Transgender	1.08%
Disability	0.27%

And also by location:

State	Percent of U.S. Population (2015)	Percent of Reported Hate Crimes Nov. 1, 2016 – Feb. 21, 2017
California	12.15%	11.73%
Florida	6.38%	5.27%
Illinois	3.96%	6.59%
New York	6.11%	13.92%
Texas	8.62%	5.42%

You can spot in the numbers above how disproportionately high the incidences of hate crimes are in New York and Illinois relative to population size.

While it is a difficult subject to discuss in a politically correct manner I have to say I can see where this would be very useful information for people choosing where to go and even more importantly where to live.

If I'm a minority or have a certain sexual orientation, this can help me choose areas where ignorance is less prevalent. Hopefully someday we won't have to worry about things like this.

Can they monetize this thing?

My understanding of the differentiating feature that the RedZone Map offers is that it is the first to include real crime data sourced directly from government agencies and supplemented with the first-hand accounts of users.

For investors the big question is whether they can turn a useful app into some real cash flow.

I took a look at the financials for Helios to try and see what kind of business the RedZone Map app was doing but unfortunately the last quarterly filing is for September 2016. For that quarter Helios did not have possession of the app long enough to make meaningful financial impact.

Those financials do show that the company outside the app has a reasonable amount of revenue and some cash. However those financials also show only a small amount of positive cash flow from operations. Whether the RedZone Map app can add to that won't be clear until the next set of financials is filed.

Given the small amount of positive cash flow this is clearly still a development stage company that should be considered speculative at this stage.

Disclosure: I don't own any shares of any company mentioned in this article.

http://www.gurufocus.com/news/486820/helios-and-matheson-add-function-to-growing-redzone-map-app