



Please find below our weekly update covering themes that we feel that are of interest to investors and participants in the small and mid-cap TMT sector as well as commentary on recent newsflow. The cost of Allenby Capital's research on individual clients is paid for by our research clients.

*For the purpose of MIFID II, the content of the following email qualifies as “non-substantive material or services consisting of short-term market commentary on the latest economic statistics or company results” and so can be treated as ‘acceptable minor non-monetary benefits’ and not as ‘chargeable research’ per the European Commission’s Delegated Directive of 7.4.2016.*

## **Allenby Capital TMT Update - 27.04.20 (BIRD.L, GFIN.L, STAR.L)**

### **Blackbird plc\* (BIRD.L, 14.25p/£47.8m)**

#### **Finals: Record FY19 and strong start to FY20 (27.04.20)**

- Revenue +24% to a record £1.1m with revenue in the key North American market +197% to £0.5m and 94% of revenue came from infrastructure and OEM sales (FY18: 54%), another area of focus. Contracted but unrecognised revenue +232% to £1.9m and this increased further to £2.0m at the end of Q1. £0.8m of this is to be recognised in FY20.
- Operating costs down 2% at £2.7m, although there was a £0.2m shift to capitalised R&D spend to £0.4m (FY18: £0.2m) partially offset by investment in the management team and increased legal costs. Adj. EBITDA loss reduced £0.2m to £1.8m. Net cash increased 58% to a healthy £8.0m, following December's £5.2m placing.
- Contract wins during FY19 included a multi-year agreement with a global news organisation, a multi-year deal with A+E Networks, a long-term tender with the US Department of State, and two-year deals with Eleven Sports and Australia's National Rugby League. There were also extensions/expansions with IMG Media, Deltatre, MSG Networks and Gfinity demonstrating success in BIRD's land and expand strategy. The Blackbird Productions Partnership Program has signed up 24 post-production houses to promote Blackbird to date.
- FY20 has started well with the expansion of the deals with A+E Networks and TownNews and contract wins with Arsenal FC and Liverpool FC. Sports and news remain key target markets. Partnership with Zixi, the developer of the Software-Defined Video Platform, and BIRD will showcase its ultra-efficient video editing with Zixi, Amazon Web Services and Google at virtual customer events after the cancellation of the physical NAB. A prototype of Blackbird in the Public Cloud will be showcased at these events.

**Allenby Capital comment:** A strong FY19 performance and a very good start to FY20 with revenue growth in the North American market, the news and sports verticals and success in securing larger, multi-year and OEM contracts. In many situations, Blackbird is displacing larger and more established incumbents as companies are recognising the functional advantages of the Blackbird cloud-based video editing software. The emergence of COVID-19 has massively disrupted traditional editing workflows and accelerated the shift to cloud with many production staff now working from home. Blackbird's suite of cloud-native video applications and lightning fast codec enables frame accurate navigation, playback, viewing and editing from almost anywhere and on almost any device. The suspension of almost all live sporting events and non-sports productions has created other opportunities as sports rights holders look to their media archives although it will impact other revenue streams. The company remains well capitalised and, given the significant contracted but unrecognised revenue, we anticipate further growth this year.

*\* Allenby Capital acts as Nomad and Broker to Blackbird plc.*

### **Gfinity plc\* (GFIN.L, 1.9/£13.4m)**

#### **Partnership: Expansion into Middle East market (21.04.20)**

- Partnership with YaLLa, one of the leading esports teams in the Middle East/North Africa (MENA) region, in order to expand Gfinity's esports community offering. YaLLa is a well-established MENA team with existing partnerships with Republic of Gamers (ASUS), Western Digital and Logitech.
- Gfinity will launch RealGaming101.me, its new MENA focused website, later this month that will target the c. 93m engaged gamers in the region. It will be 100% Arabic and managed by a team of writers based in the region. The site will host similar content to Gfinity's RealSport101.com that has grown page views to 20m in March from 2m in April 2019.
- Gfinity will also leverage its partnerships with Bidstack and Venatus to connect local publishers and large-scale brands with gamers and esports enthusiasts for programmatic advertising, bespoke video and audio promotions and brand site takeovers.
- Separately the company announced that the resolutions associated with the second tranche of the proposed £2.25m placing were duly passed.
- Forecasts currently under review.

**Allenby Capital comment:** Gfinity has identified MENA as a large but underserved region for esports content. The company has developed considerable local knowledge given its work in designing the inaugural Esports Wega World Cup and also running the final of the first Formula ESports Series in Abu Dhabi in 2017. At the same time, Gfinity has been rapidly growing its community of esports followers on both Realsport101.com, Gfinityesports.com and the recently launched StealthOptional.com. Esports enthusiasts represent a large and attractive young demographic that brands have struggled to reach. Gfinity sits in the centre of the gaming ecosystem and provides esports solutions to games publishers, sports rights holders, commercial partners and media companies. The YaLLa partnership fits with the company's strategy set out at the time of the recent placing: Motorsports, expanding its own community franchise and building community for others. Meanwhile Gfinity continues to benefit from the shutdown of live events that has accelerated the shift to esports by sport rights holders, media companies and brands.

*\* Allenby Capital acts as Nomad and Broker to Gfinity plc.*

### **Starcom plc\* (STAR.L, 0.80p/£2.8m)**

#### **Trading update: Deterioration in trading, remedial steps taken (22.04.20)**

- Management reports that the situation in many of its geographic markets has deteriorated over the past two weeks, further to its announcement on 25 March, and several key clients are now running partial operations or have temporarily shut down all operations. For example, all clients in the US have suspended manufacturing and Starcom's Russian distributor has also frozen operations. Consequently, client orders are being delayed. Starcom is also experiencing delays in the supply and delivery to and from its own factory.
- Given the uncertainty on outlook, the company is taking steps to contain costs and preserve cash, including furloughing certain employees and reducing wages for non-furloughed staff and management. Starcom has also applied for the COVID-19 related Israeli government backed loan.
- Forecasts placed under review.

**Allenby Capital comment:** Trading at Starcom has deteriorated further with the spread of COVID-19, impacting both supply and demand. In March's update, the company reported that it remained under pressure from customers to fulfil

existing orders and continue the supply of its products. It was, however, suffering some disruption in the fulfilment of certain orders. At that point, the company entered into convertible loans with directors totalling c. £244k to strengthen its balance sheet. We remain positive in the medium-term outlook for Lokies, its intelligent reporting padlock, and its proven product portfolio of advanced wireless solutions for the remote tracking, monitoring and protection of assets and people. Starcom has also demonstrated the ability to develop innovative products that combine multiple communications techniques for specific applications.

*\* Allenby Capital acts as Nomad and Broker to Starcom plc.*

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### **Allenby Capital "paid for" research services**

*The changes initiated by MiFID II has had far reaching implications on both the quantity and continued availability of research on smaller cap companies, including those within the TMT sector. We would therefore remind interested companies that Allenby Capital can offer a "paid for" research service for those corporates that wish to retain an alternative and authoritative source of research that can be accessed freely by the entire investment community. If you would like further information on this service please contact [d.johnson@allenbycapital.com](mailto:d.johnson@allenbycapital.com).*

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David Johnson is the author of this research recommendation. David Johnson is employed by Allenby Capital Limited as an Equity Analyst.

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