



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.

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TMT Update 18.11.19 (MIRA.L, TERN.L, CCT.L)

Mirada plc* (MIRA.L, 160p/£14.2m)

Interims: Successful revenue diversification (18.11.19)

[Note published](#)

Allenby Capital comment: Further good performance in H1 from Mirada, a leading provider of integrated software for Digital TV operators and broadcasters. H1 numbers were somewhat skewed by the successful £2.1m disposal of Mirada Connect, its non-core cashless payment parking division, but underlying revenue grew 11% to \$5.7m and there was a \$0.3m positive swing in underlying adj. EBITDA to \$0.3m. Net debt reduced \$1.3m to \$3.5m. H1 saw a contract win with Plataforma Multimedia de Operadores (PMO) for its new service, an accelerated deployment at izzi Telecom and roll outs at ATN international (ATNi) in Bermuda and SkyTel (Mongolia). Mirada’s new Android TV custom launcher has been well received with purchase orders of more than \$3m. Mirada has also integrated its Iris platform with Netflix and this is being rolled out in Mexico. Management reports a positive outlook with participation on several prospects and an increasing pipeline of opportunities. Forecasts remain unchanged and fair value increases to 182p/share from 175p.

** Allenby Capital acts as Nomad and Broker to Mirada plc.*

Tern plc* (TERN.L, 9.25p/£21.9m)

Update on portfolio companies (12.11.19)

- Tern has invested £1.1m in its portfolio companies so far in H2, predominately via convertible debt. It also raised £1.75m through an equity subscription in November. Discussions around several potential new investments although none are at an advanced stage.
- Revenue at Tern's four principal portfolio companies (Device Authority, InVMA and Wyld Networks) has increased in 9m to 30 September. Management expects a Q4 weighting and believes there is sufficient opportunities that, if concluded, will enable the portfolio companies to achieve 50% revenue growth. Headcount is also expected to increase.
- **Device Authority:** Secured an additional \$775k convertible loan from the investor group that Tern leads in November - Tern contributed c. \$583k. This is in addition to September's \$315k convertible loan note. In October, DA announced that it had been accepted into the Venafi Machine Identity and Protection Development Fund, a \$12.5m initiative.

- **FundamentalVR:** Announced a £4.3m Series A fundraise, including a £0.5m loan note conversion by Tern, on 30 October, at a post-money valuation of £11.3m that resulted in a £0.6m increase in the fair value of Tern's investment. It has received CPD accreditation for its entire current portfolio of surgical training simulations by the Royal College of Surgeons of England.
- **InVMA:** One of the initial companies to work on part of the Made Smarter initiative, a £20m national programme partnering government and industry to implement factory optimisation. InVMA used its PTC product AssetMinder in conjunction with Heatsense Cables, a leading specialist thermocouple cable manufacturer.
- **Wyld Network Limited:** New CEO appointed and secured a framework contract with Delta-T Devices, a developer of sensors for the agritech sector, to develop and supply Low Power Wide Area Network (LPWAN) connectivity for Delta-T's soil moisture sensors. The initial purchase order is valued at £105k.

Allenby Capital comment: Progress across Tern's portfolio of IoT companies and Tern's balance sheet has been strengthened with the subscription earlier this month. This enables Tern to make further investments in the existing portfolio but also new investments. The Series A round for FundamentalVR and valuation uplift represents an encouraging data point.

* *Allenby Capital acts as Nomad and Joint Broker to Tern plc.*

Character Group (The) plc* (CCT.L, 360p/£77m)

Update: Strong showing in "Dream Toys" list (14.11.19)

- Strong showing by Character Group's principal trading subsidiary, Character Options Limited, in the official "Dream Toys" list announced by the Toy Retailers Association in London for the best toys of the year.
- The *Peppa Pig Stage Playset* made the official dream dozen and six further Character toys were named in the sector top toys round-up: *The Peppa Pig Big Red Car*, *Ballerina Dreamer Doll*, *Pokémon Power Action Pikachu*, *The Ultimate Hero Blazagon* from *Heroes of Goo Jit Zu* and two toys from the *Little Live* collection; new *Wraptiles* and the *Rainglow Unicorn Vet Set*.
- The "Dream Toys" list is based on the opinions of large chain retailers, small multiples and independent retailers across the UK and tends to provide a guide on Christmas purchasing.
- *Heroes of Goo Jit Zu* has also been nominated Action Figure of the Year for the 2020 Toy of the Year (TOTY) Awards that will be announced at the TOTY Awards gala in February 2020 in New York City at the start of the Toy Fair New York.
- No change to [forecasts](#) or 430p/share fair value.
- FY19 are expected in the first week of December.

Allenby Capital comment: Character Group, the UK's leading independent toy company, has been a regular contributor to the "Dream Toys" list. The list is influential in both reflecting and driving demand ahead of the key Xmas buying period. As flagged in September's trading update, Character has had a difficult 2019 with problems in Scandinavia following the liquidation of TOP Toy, OVG-Proxy's largest customer, the continued uncertainty over Brexit that resulted in the weakening of sterling against the US dollar and Hasbro's proposed acquisition of Entertainment One (ETO.L), the owner of the Peppa Pig brand that has consistently been CCT's largest brand. Inclusion in the "Dream Toys" list demonstrates CCT's skills in creating innovative and popular toys.

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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.

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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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