



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 - 29.06.20 - BIRD.L, MIRA.L, TERN.L, CKT.L**

### **Blackbird plc\* (BIRD.L, 19.25p/£64.7m)**

#### **NED appointment: Significant experience in the US cloud/media industry (24.06.20)**

- John Honeycutt joins as NED. Most recently, he was Vice President of Telecommunications, Media and Entertainment and Gaming at Google where he developed Google Cloud’s initial product development and go-to-market strategies globally. Previously, he held the roles of Chief Media Technology Officer, COO and CTO at Discovery Communications and prior to that SVP Broadcast Operations at Fox.

**Allenby Capital comment:** John brings considerable knowledge, expertise and relationships in the global media technology sector to Blackbird. At Google, he was tasked in driving demand for Google’s cloud services and has argued that media companies need to re-architect workflows and infrastructures in ways that are native to the cloud to impact all aspects of the lifecycle of content – content creation, content discovery, distribution, analytics, monetisation etc. Blackbird has developed a suite of cloud native applications for video that enables frame accurate navigation, playback, viewing and editing in the cloud.

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

### **Mirada plc\* (MIRA.L, 92.5p/£8.2m)**

#### **Update: Substantial increase in content consumption (24.06.20)**

- Mirada has released global data from its LogIQ data analytics platform that demonstrates an unprecedented increase in worldwide TV content consumption since the start of the CV-19 lockdown with clients such as izzi Telecom (Mexico) and One Communications (Bermuda) rolling out new initiatives.
- Between 1 February and 30 April, total linear TV (traditional, scheduled TV) consumption increased 24%, with an 18% increase in average linear consumption between Monday and Friday. Consumption of linear news channels increased >80% and the selection of premium linear channels opened up by Mirada's customers by >170%. There was also a change in linear consumption across devices with STB, tablet and web all up >24% but mobile consumption down 4% as people stayed at home.
- Video on Demand (VoD) consumption increased 41%, 32% Monday to Friday. Consumption via STB and tablet increased 48% and 43% respectively while web and mobile were down 31% and 33%. Children's VoD content consumption increased by 56%, 79% Monday to Friday. And consumption via tablet increased 122% (+57% via STB),

reflecting the impact of home schooling, working from home and the lockdown on the viewing habits and screen time amongst children.

- 48% increase in purchasing additional TV content from Transactional Video on Demand (TVoD) catalogues, with a 49% increase in average TVoD purchases between Monday and Friday, increasing the proportion of monthly TVoD purchases made mid-week by 6%.
- Forecasts are currently under review.

**Allenby Capital comment:** The findings around increased content consumption will resonate with many, particularly those with children. To put into context, TV operators will typically only see a monthly variation in consumption of c. 2%. Although many operators have expanded their content offerings to subscribers, consumers have also been willing to spend more on content. In order to facilitate this, operators need to offer subscribers an optimised user experience, comparable to Netflix or Disney+, to enable content discovery, content portability etc. The findings also fit with the comments on the recent capital markets event from Amino (AMO.L) where management at 24i Media, acquired in July 2019, reported a 4,000% increase in uptake of BroadwayHD, the US-based video streaming service of theatre productions, following lockdown.

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

### **Tern plc\* (TERN.L, 10.75p/£29.0m)**

#### **Update: KeyScaler on Azure (23.06.20)**

- Device Authority (DA), a provider of identity and access management for IoT applications and a Tern portfolio company, has announced the availability of KeyScaler in the Azure Marketplace, Microsoft's online store providing applications and services for use on Azure. This should facilitate deployment and management of KeyScaler.
- KeyScaler addresses the challenge of onboarding IoT devices at scale and managing the owner-controlled identities and credentials across the different services. DA has developed a suite of connectors to facilitate integration with Microsoft. KeyScaler integrates with a variety of Azure/Microsoft products and services, including Azure IoT Central, Azure Device Provisioning Service, Azure IoT Hub, Azure IoT Edge Gateway, Azure Key Vault, Microsoft Active Directory and Windows Credential Manager.

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

### **Checkit plc (CKT.L, 39.5p/£24.5m)**

#### **Meeting with management: Scope for margin improvement (24.06.20)**

- Meeting with management on the back of the recent prelims (16.06.20). The year was dominated by the successful disposal of Bulgin in July that generated a gain of £85.3m and the subsequent £81m cash return to shareholders in December. Revenue from continuing operations was £9.8m with an adj. EBITDA loss of £3.6m (FY19: £2.8m). Year-end cash was £14.3m and £13.1m at the end of May.
- Following the disposal, the company is focused on SaaS-based real-time management solutions to improve operational efficiency, safety, and accountability. Solutions combine IoT, mobile and cloud technologies to access and monitor mobile-based operations, business processes and buildings management. This was significantly enhanced by the acquisition of Next Control Systems (NCS) in May 2019 for £8.8m, equivalent to 6.6x FY18 EBITDA.
- NCS was renamed Checkit UK and the existing Checkit business renamed Checkit Europe. Checkit UK was a substantially larger organisation with considerable experience and a much larger installed base. It contributed £8.5m in revenue, +7% on an annualised basis.

- As a result of the acquisition, Checkit is now a leader in high-end service-based temperature monitoring for health and life sciences in the UK and can also offer energy efficiency data-related Connected Building Management (CBM) services. Checkit can also sell its Connected Workflow Management into Checkit UK's customers.
- Checkit UK performed in line with management expectations in FY20 and the integration is progressing well. Management has also identified scope for margin improvement.
- Management expects the business to be negatively impacted by CV-19 for the remainder of FY21 at least and during this year management will complete the integration of Checkit UK and a successful separation of Bulgin during the Transitional Services Agreement period. Revenue in April and May fell c. 36% compared with expectations. The company has taken a number of cost reduction/cash conservation measures.
- Checkit is targeting tier one companies (the largest national and multinational businesses) and only those tier two customers that are willing and able to pay for the solution. This has resulted in an inevitable reduction in business in the distressed casual dining sector, Checkit's initial market entry point. Contract wins in FY20 included a multi-branch leisure business, a global framework agreement with BP for its retail business and a building management system on a university campus.

**Allenby Capital comment:** FY20 was a transformational year with the successful disposal of Bulgin and subsequent cash dispersal to shareholders, the acquisition of Next Control Systems and the renaming of the company as Checkit. Management also took the opportunity to undertake restructuring and also impair the remaining carrying value of intangibles (£9.3m) given the current economic uncertainty. As a result, the business is much simpler (although the legacy Elektron Eye Technology needs to be sold), well capitalised with a large installed base that offers considerable cross-sell opportunities. The larger scale and experience of the business means Checkit is better placed to compete for Tier 1 tenders such as BP. Checkit should also benefit as lockdowns are relaxed and companies look to invest to increase efficiency through automation and the collection and mining of data. The company is currently building up its recurring revenue base (c. 30%) to increase revenue visibility and there's also scope to improve gross margins (FY20: 26.5%).

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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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#### **Research recommendation disclosure**

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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