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 - 27.07.20 - MBO.L, MNO.L, GETB.L, SOLI.L

MobilityOne Ltd* (MBO.L, 9.5p/£10.1m)
International money transfer agreement with MoneyGram (22.07.20)

- International money transfer agreement between OneTransfer Remittance Sdn Bhd (OTR), MBO's 50%-owned remittance company, and MoneyGram Payments Systems whereby OTR will act as one of MoneyGram's correspondence remittance companies in Malaysia for an initial term of five years. MoneyGram provides money transfer and payment services worldwide.
- The agreement will enable OTR customers to send and receive money via MoneyGram's global platform that connects to more than 200 countries. Previously OTR customers were restricted in being able to send money to less than ten countries across Asia. OTR gets a share of the fees generated by MoneyGram on the OTR money transfer transactions as well as a share of FX profits realised on OTR transactions.
- MBO's management is hopeful that that the agreement will contribute positively to the company's future growth but does not expect a material impact or contribution to the current growth prospects.

Allenby Capital comment: The partnership agreement substantially expands the OTR service offering in Malaysia though OTR currently represents a small part of the e-commerce infrastructure payments solutions and platforms company. OTR has six physical outlets in Malaysia for remittances with the plan to offer mobile application-based remittance services in the future. The bulk of MBO's revenue (£169.4m in FY19 per June's trading update) was derived from the group's e-payment business (mobile phone prepaid airtime reload and bill payment) in Malaysia. The trading statement also indicated a £2.5m positive swing in PAT to £1.2m and net cash of c. £1m at period end.

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

Maestrano plc (MNO.L, 7.0p/£5.6m)
FY update: Strong performance from Airsight acquisition (22.07.20)

- FY (June) update from the provider of an AI platform for transport corridor analytics following the acquisition of Airsight Holdings last September and the reduction of the existing master data management (MDM) business.
- Group revenue declined 2% to £0.9m (8-month Airsight contribution) but Airsight revenue increased 74% to £1.0m on a pro forma basis. This was ahead of MNO's management expectations and the full deferred consideration of 7.3m shares will be paid in September. Reported operating costs fell 48% to £1.9m and reported EBITA loss by 69% to

£0.8m but pro forma operating costs in Airsight increased 23% to £1.0m and its EBITA loss reduced 25% to £0.2m. Period end cash was £1.6m.
- Newsflow from Airsight has been strong since acquisition with contracts secured with the Australian Government Department of the Environment and Energy (November), the Australian Rail Track Corporation (ARTC) and Nagoya Railroad Co Ltd for a pilot in Japan in January, and by Network Rail for a fully funded trial of its automated rail corridor gauging technology and an Innovate UK grant (June).
- In July, MNO announced that it had gained engineering acceptance from ARTC demonstrating that the Corridor Technology platform meets engineering accuracy and safety requirements to replace the current manual method of surveying track infringements and track clearances. MNO also announced a global partnership with Esri, a leading international supplier of geographic information software, and ARTC supplier.

Allenby Capital comment: The acquisition of Airsight represented a transformational moment for Maestrano that had struggled with its master data management and business analytics platform after the loss of its main contract, a major US bank, in May 2019. Airsight has demonstrated considerable momentum and is operating in a market where manual inspection is the main method for checking rails and other assets. Airsight has developed specialist hardware and software for capturing, analysing and reporting on large data sets within the transport sector, employing sophisticated artificial intelligence algorithms in order to streamline a safety-critical process.

GetBusy plc (GETB.L, 86p/£41.6m)
Interims: Encouraging SmartVault growth (23.07.20)

- H1 revenue +13% to £7.0m with recurring revenue +18% to £6.4m for the provider of document management and productivity software. Adj. loss before tax increased 25% to £0.7m. Gross margin increased 90bps to 93.1% following the migration of SmartVault to the AWS cloud. Group ARPU +8% to £201 and Document Management paying customers fell 1% to 65k reflecting churn of lower ARPU customers in VirtualCabinet offset by SmartVault growth. Annualised recurring revenue of £13.1m, up 7%.
- Net cash was £2.1m (FY19: £1.7m) with operating cash flow of £0.1m bolstered by January's subscription (£0.3m) and the US PPP loan (£0.4m), partly offset by capex (£0.3m) and the unwind of deferred revenue (£0.4m).
- **SmartVault:** Recurring revenue +34% to £2.6m (total +35% to £2.7m) and adj. loss reduced 26% to £0.3m for GETB's cloud SaaS document management and portal. SmartVault LTV:CAC at 4.2:1 and management plans to increase sales and marketing investment in H2 to drive further revenue growth. Plan upgrades contributed to a 6% increase in ARPU to £255 and paying users increased 5% to 22k.
- **VirtualCabinet:** Revenue in the more mature on-premise solution increase 3% to £4.2m and adj. PBT +29% to £2.0m, representing a 47% margin. Within this, recurring revenue increased 9% as GETB shifts to a subscription model. The business was impacted by CV-19 as the product often requires on-premise implementation and training. There was some higher than usual customer downgrades during scheduled annual renewals plus the loss of a couple of lower ARPU customers due to takeovers. Management reports some signs of recovery in June.
- **GetBusy:** The task management app had 100 paying customers as at H1 although GETB continues to work on the product-market fit with concurrent testing of different channels and value propositions. Conversion from online demo into paying customers has been encouraging and the cost of lead generation is coming down but it still doesn't have a consistent track record of cost effective lead generation. H1 revenue was immaterial and £1.1m (H1 FY19: £0.6m) was spent on the software with a similar amount expected in H2.
- Forecasts are currently under review.

Allenby Capital comment: GetBusy has benefited from the shift towards remote working and an acceleration towards fully digitised, paperless work practices driving demand for document management software. The company has a large customer base, predominantly in the accounting and bookkeeping market, with minimal revenue concentration and high levels of recurring revenue and limited churn. The LTV:CAC ratio appears stable for SmartVault and hence further investment in sales and marketing should drive additional revenue growth. The jury is still out on the GetBusy app and management admits that has yet to determine a clear addressable market or suitable pricing model. The current rating of 3.0x EV/revenue for FY20 and 2.8x FY21 is not demanding for a growing SaaS business, irrespective of any potential success of the eponymous app.

Solid State plc (SOLI.L, 580p/£49.5m)
Meeting with management: Record profitability and cash generation (21.07.20)

- Meeting with management on the back of June's finals. Reported revenue increased 19.7% to £67.4m, including the contribution from the Pacer acquisition - pro forma revenue +4.2%. This comprised 8.8% growth in manufacturing and 1% in Value Added Distribution (VAD), a creditable performance given a 7% decline in the UK electronic component distribution market. The group open order book at the start of FY21 increased 5.6% to £37.9m. Adj. EBIT margin increased 70bps to a record 7.2% and adj. PBT +34.3% to £4.7m.
- Net cash increased £5.2m to £3.2m that included a £1.4m improvement in working capital as payables increased £1.8m partly offset by receivables up £0.4m. Inventory levels remain elevated to address potential CV-19 supply chain disruption. Solid State repaid the term loan used for the Pacer acquisition early and Lloyds has expanded and extended the undrawn RCF to £7.5m (FY19: £3.5m) to November 2021. Management has declared an unchanged 12.5p/share dividend.
- **VAD:** Although organic revenue growth was low, stock turns were >5 and the division benefited from the inclusion of the Pacer business. The year-end open order book increased 10.5% to £24.2m but CV-19 has presented unprecedented challenges in Q4 and into Q1. Integration of the Pacer optoelectronics business was completed ahead of expectations and it has boosted margin and there is evidence of success in cross selling initiatives.
- **Manufacturing:** Growth primarily came from the Power business unit and revenue growth translated into record profit with underlying EBIT margin increasing 400bps to 15%. This was a function of sales mix and operational gearing. The division has invested in business development and sales resource and focused on structural growth markets, including medical, autonomy, 5G, AI and security. Some planned capex has been deferred. Open order book has increased 12% to £15.7m though £2.75m is billable in more than one year. Near term revenue and profit growth is likely to be challenging.
- **CV-19:** The impact of CV-19 has been mixed. Solid State's manufacturing facilities and warehouses have continued to operate and it has been designated a critical supplier by customers in sectors including medical, food retail, security, transportation and defence. Conversely, demand for batteries in the commercial aerospace and certain niche industrial computing products is soft and lower demand for battery packs in the oil and gas industry following the fall in the oil price. The Group continues to hold relatively high stock levels and has taken steps to conserve cash and temporarily suspended its acquisition activity. Q1 order intake is down c. 15% but management points to opportunities that could benefit H2 FY21.

Allenby Capital comment: Good performance against a difficult backdrop with growth in revenue and record profit margins as some development projects moved into production, improving the sales mix and operational gearing. The Pacer acquisition is bedding in well and has benefited the rest of the business. The group remains focused on the goal of its five-year plan of doubling the business through a combination of organic growth and acquisitions. Given the CV-19 uncertainty, forecasts currently remain under review.

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