



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 - 24.08.20 - MWE.L, BIRD.L, GFIN.L, STAR.L**

### **MTI Wireless Edge Ltd\* (MWE.L, 37p/£32.5m)**

#### **Interims: Revenue growth and EBIT margin appreciation (24.08.20)**

##### [Note published](#)

**Allenby Capital comment:** Good H1 performance from the provider of communications and radio frequency solutions given the global backdrop with revenue growth in all three divisions (Antenna, Mottech and Distribution) and overall growth of 3% to \$19.6m. Operating profit increased significantly (+28% to \$1.9m) with EBIT margin +190bps, reflecting operating leverage and cost savings. Strong cash conversion resulted in net cash of \$7.6m (H1 FY19: \$5.0m), post April’s final dividend payment (\$1.8m). MTI’s diversified business (sector and geography) has provided some protection against COVID-19 as different countries have entered/emerged from lockdown as evidenced by recent Mottech contract wins in China. Management’s confidence in the outlook is underpinned by order book strength and MTI is currently on track to meet our FY20 profitability expectations. Forecasts and 46p/share fair value, equivalent to 13x FY21 EPS, remain unchanged.

*\* Allenby Capital acts as Nomad and Joint Broker to MTI Wireless Edge.*

### **Blackbird plc\* (BIRD.L, 17.2p/£58.0m)**

#### **Contract win: Cloud video editing & publishing at US Democratic National Convention (24.08.20)**

- Live X, a New York-based full service production company that designs, produces and broadcasts live events for major brands, chose Blackbird for cloud video editing and publishing at the recent US Democratic National Convention that was held on 17 - 20 August.
- Live X's media production used Blackbird to remotely edit and enrich live content from the convention and publish it ultra-fast to social media platforms including Twitter, Facebook, YouTube and Instagram. Blackbird was also used to make content rapidly available to media partners for re-purposing to multiple platforms and channels.

**Allenby Capital comment:** Another high profile win for Blackbird and the partnership means that Live X is likely to use Blackbird's cloud video editing platform for other major events. Blackbird is well suited to live workflows given its speed, agility and quality.

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

## **Gfinity plc\* (GFIN.L, 3.8p/£29.0m)**

### **Digital Media expansion: Launch of dedicated virtual motorsports site (20.08.20)**

- Launch of Racinggames.gg, a new virtual motorsport website for fans to read news, share opinions, and follow the growing number of global virtual racing exports and competitive gaming events.
- The website joins Gfinity Digital Media (GDM) that currently comprises three fast growing gaming websites - Gfinityesports.com, RealSport101.com and StealthOptional.com - and has more than 10m users per month. Racinggames.gg will benefit from the existing relationships with Venatus and Connatix for programmatic ad delivery and GDM's new content management system and Google backlinking strategy.
- The site will be fully designed, developed and delivered by the internal team behind RealSport101's motorsports coverage that had more than 500k users in July 2020. The content will complement and support existing motorsports coverage across Gfinity's web channels.
- Separately (18.08.20), Gfinity provided an update on GDM's recent performance. Since the partnership with Venatus was implemented in mid-April, it has delivered c. £200k in advertising revenue by the end of July. GDM has also been selected for a number of repeat advertising campaigns for high profile publishers and other esports players, including Steel Series.
- 50% of the total of the Gfinityesports.com audience is based in the US and this contributes to higher advertising revenue across the site. Gfinity has also hired a new US editor with a significant social media following. As a result, there should be a steady flow of news 24 hours a day. Meanwhile StealthOptional, the ecommerce site, had more than 140k visitors in July.
- Expectations of a strong performance in Q4 CY20 and Q1 CY21 on the back of the launch of new consoles, games and peripherals. Overall GDM is expected to deliver revenue of £2m in FY21, supporting Gfinity's target of moving into profit in Q1 CY21.
- Partnership with TopCashBack to provide deals and offers and comment functionality is now live that should deepen audience engagement and increase the number of ad impressions per user due to increased site dwell time.

**Allenby Capital comment:** GDM represents one of the fastest growing revenue streams at Gfinity and fits with the company's three-prong strategy: what it owns, what it co-owns and high margin work for third parties. The launch of Racinggames.gg works across the strategy as Gfinity has considerable experience and expertise in virtual motorsports including its work with IndyCar, Forza and F1, where the recently announced fourth series includes a record prize pot; its JV with Abu Dhabi Motorsport Management and the forthcoming V10 R-League; and its base of virtual motorsports followers across its existing websites. Virtual motorsports represents a growing esports genre and Gfinity is well positioned to capitalise.

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

## **Starcom plc\* (STAR.L, 1.0p/£3.5m)**

### **Interims: Challenging H1; some optimism for H2 (20.08.20)**

- H1 performance significantly impacted by CV-19 with group revenue down 25% to \$2.3m. On the plus side, recurring SaaS revenue increased 16% to \$1.0m. Gross margin fell to 33% (H1 FY19: 41%) given increased distribution costs and the amortisation charge remaining flat. Although management took remedial action on costs, down 9% to \$1.5m, there was a \$0.2k negative swing in adj. EBITDA to a loss of \$167k.
- Cash at period end of \$278k (H1 FY19: \$416k; FY19: \$158k) and post period end a new facility of up to \$1.4m was arranged.
- Management expects an improvement in H2, subject to any second wave and associated lockdowns in key markets. The innovative Lokies product has been well received though the agreement and purchasing plan with the Russian

distributor is currently on hold. A three year OEM contract has recently been signed with Cubemonk for Kylos Air and Zero Motorcycles continues with sales of Starcom-integrated motorbikes. Starcom also continues to develop its product set e.g. a three-year agreement with HaZeaka, a long term customer, for a Kylos variant.

**Allenby Capital comment:** A difficult H1, with COVID-19 resulting in the lockdown of many markets, projects being placed on hold and increased distribution costs. Management has responded with a series of cost reductions and also securing access to additional debt financing. Management expects a better performance in the traditionally stronger second half, the response to Lokies (the next generation smart keyless padlock) has been positive, the company has secured new contracts and continues to expand its product set.

\* Allenby Capital acts as Nomad and Joint 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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**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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