



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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Allenby Capital TMT Update - 14.09.20 - CPX.L, GFIN.L, MWE.L, NWT.L

CAP-XX Ltd* (CPX.L, 4.5p/£19.9m)

Trading update: Murata project on track; growth in Q1 revenue and order book (10.09.20)

- **Murata project:** The transfer of the former Murata manufacturing assets to CPX's new Seven Hills facility is now largely complete with all the production equipment on site and in their final positions. The Murata Electrode Coating line is now operational and the production lines for the DMF and DMT supercapacitor ranges are being commissioned.
- Production of supercapacitors using the newly installed equipment is expected to commence in October, with initial samples available to key customers by the end of the month. Full product verification and testing for at-scale production will be completed in December. This is in line with May's trading update. Total projects costs are currently forecast to be less than the estimate of A\$5.3m provided last November.
- CPX's old facility in Sydney (Lane Cove) has been returned to its original condition and the associated back guarantee has been received.
- Payment of an estimated A\$3.3m from the Australian Tax Office is expected in Q4 and management is confident it has sufficient resources to complete the integration of the ex-Murata customers and manufacturing assets.
- **IP infringement:** Pursuing the recovery of the \$4.9m court award following its successful patent infringement case against Ioxus Inc, though it remains unclear if this will be successful. Also awaiting a court date for its patent infringement action against Maxwell Technologies.
- The start to FY21 has been good with the current sales order book up 50% and total Q1 revenue up >10%.
- FY20 (June) results expected in October.
- Forecasts currently under review.

Allenby Capital comment: Positive trading update on multiple fronts. As previously argued, the acquisition of the Murata manufacturing assets represents a transformational deal for CPX. It afforded a unique opportunity to transform its profitability by increasing sales and gross margin at the product level for a minimal capital outlay and enable CPX to fulfil the growing levels of sales enquiries. The deal provides access to established product designs, proven manufacturing assets and a potential customer base in CPX's target small form factor markets. The project is not without execution risk, however, and CPX has not been immune to the impact of CV-19 with the project slipping by c. three months. The successful prosecution of the Ioxus patent infringement case represents an important proof point in CPX's ongoing IP protection strategy. Finally, the growth in the sales order book and revenue in Q1 is encouraging as more companies look to supercapacitors to address the limitations of traditional batteries.

** Allenby Capital acts as Nomad and Broker to CAP-XX Ltd.*

Gfinity plc* (GFIN.L, 3.8p/£28.9m)

Contract win: Widespread distribution signed for V10 R-League (03.09.20)

- Appointed by Cadbury to deliver a new gaming tournament, the 'Cadbury Heroes Parents League'. This will comprise twelve teams of two players and each team will consist of one gaming influencer playing alongside a parent or guardian with the final to be hosted at the Gfinity Arena in Fulham in November.
- The influencers will be announced at the start of October, alongside the game title, followed by a period of training before the tournament is live streamed in early November. The League will conclude with a highlights film scheduled for the end of November.
- GFIN will receive a six-figure fee to deliver the tournament and as part of the agreement GFIN will be responsible and remunerated for: sourcing gaming-based talent, facilitating tournament play, production and broadcasting the final.
- The complete tournament will be broadcast across Gfinity's owned channels (including Twitch and YouTube) and will be supported by an integrated campaign across the Gfinity Digital Media websites.
- GFIN is working with a leading agency group on this project including D-game (sponsorship agency), Carat (media agency) and VCCP (creative agency).
- Forecasts currently under review.

Allenby Capital comment: High profile contract win that demonstrates Gfinity's experience and expertise in designing, operating and broadcasting esports tournaments but also the increasing interest of non-endemic brands into esports as they look to reach a younger demographic. The project also includes an integrated campaign across the Gfinity Digital Media websites as Gfinity is able to offer its clients access to a large audience of esports enthusiasts. Finally, Gfinity is working with a network of leading agencies as part of the product. GFIN is still on track for its goal of moving into profitability in Q1 CY21.

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

MTI Wireless Edge Ltd* (MWE.L, 44p/£38.7m)

Contract win: 5G dual band backhaul antenna win (14.09.20)

- Secured a framework order totalling c. \$0.5m for 5G dual band backhaul antennas that is expected to be completed in the next nine months.
- Separately (09.09.20), the company announced the first and only commercially available ETSI Class 3 and FCC Flat E Band 38dBi antenna, a small form factor solution for 5G fronthaul that complies with both international standards. The antenna forms part of MTI's Flat E Band antenna family, supplementing the existing Flat 43dBi antenna following the FCC proposal to lower the minimum antenna gain in E-band from 43dBi to 38dBi. The size and cost of the antenna facilitates low-cost network densification and help support the provision of backhaul for emerging 5G services.
- No change to [forecasts](#).

Allenby Capital comment: The framework agreement indicates progress towards the full deployment of 5G backhaul solutions by network operators. MWE has sold thousands of antennas for 5G backhaul to date but all in smaller quantities and mainly for field testing and early deployments. This single large order, to be shipped over a short period, is indicative that the upgrade cycle of the cellular network infrastructure to 5G is starting and this represent a major global market opportunity for MWE. MWE's dual band antennas address the need for increased backhaul connectivity between cell towers.

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

Newmark Security plc* (NWT.L, 1.175p/£5.5m)

Finals: Further growth at Grosvenor (10.09.20)

- FY (April) revenue down 4% to £18.8m, as flagged at the time of the interims with the business more H1 weighted and some CV-19 impact in the final months. Gross margin increased 40bps to 39.7% and the adj. operating profit was flat at £0.6m. NWT benefited from a tax credit of £0.9m, resulting in PAT of £1.1m (FY19: £0.2m), equivalent to 0.24p EPS.
- Cash generated from operations of £1.3m (FY19: £0.5m). Below this, investment in development increased to £0.9m (FY19: £0.3m) with spend focused on the cloud development of GT Connect, its SaaS platform, and the GT10 clock and a next generation device. There was also £0.4m in lease liability payments and cash restructuring charges of £0.4m. Overall net cash decreased £0.4m to £0.6m.
- **People & Data Management (Grosvenor):** Revenue +22% to £13.4m with Human Capital Management (HCM) +32% to £9.1m and Access Control +4% to £4.2m. There was good growth in HCM sales in North America as major US clients continued to roll out hardware. There was also growth due to a general uplift across a number of mostly European customers. NWT launched its new Security Management System (SMS), Janus C4, that was developed in conjunction with its Slovakian development partner. This brings together a number of modules into a single platform. The majority of Janus C4 sales to date have been new customers but some existing Sateon customers are now migrating.
- **Physical Security (Safetell):** Revenue -37% to £8.6m but the division increased margins and performed in line with management expectations. The revenue decline reflected the expected reduction in the volume of work as the Post Office Network Transformation programme came to an end as well as lower demand from high street banks and buildings societies and less project work. The benefits from the significant reorganisation of the division during the year came through and there was some boost around CV-19 for hygiene screens, security hatches and security portals.
- Separately (08.09.20), NWT announced that Safetell had secured contracts with two existing clients - a two-year c. £1.3m contract for support services for the UK branch network of a leading multinational financial services company and a three-year c. £0.4m support contract with a leading UK building society.
- Newmark Security is hosting a live investor presentation on 18 September at 12.30pm via the Investor Meet Company platform.

Allenby Capital comment: Solid performance with growth at Grosvenor offsetting much of the revenue decline at Safetell. The reorganisation of the latter division that has taken out cost and expanded its product offering is starting to bear fruit and the two recent contract wins are testament to its service offering. The bulk of the medium-term growth should come from Grosvenor with further success in GT clocks and the Janus 4 SMS. Newmark continues to build the proportion of recurring revenue that will increase visibility and help to offset the timing lumpiness of project work. Demand for products and services that enable the provision of safe and secure workplaces remains strong but in the short term, the business has been impacted by CV-19 with the company reporting a slow start to FY21 with longer sales cycles and some projects being put on hold.

** Allenby Capital acts as Nomad and Broker to Newmark Security plc.*

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