



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 - 09.11.20 - CPX.L, TERN.L, ECSC.L

CAP-XX Ltd* (CPX.L, 4.6p/£20.3m)

Finals: Murata project on track; encouraging demand

Note available [here](#)

Allenby Capital comment: FY20 results from CAP-XX Ltd, the leading designer and manufacturer of prismatic and cylindrical supercapacitors, demonstrated 12% revenue growth and reduced losses. The production expansion project, following the acquisition of the Murata assets, is on schedule and within the A\$5.3m budget. The new facility is in the final stages of commissioning and product should be available by the end of the calendar year. The sales order book at year end was more than double the level of FY19 for existing CAP-XX product and management reports aggregate levels of customer enquiries that significantly exceeds the new capacity. COVID-19 created a number of additional challenges for the Murata project and limiting the impact to a three-month delay will represent a considerable achievement. The outlook for product sales is positive as CAP-XX takes advantage of the new manufacturing facility and there is scope for further licensing deals to develop ongoing high margin royalty revenues. Forecasts remain currently under review.

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

Tern plc* (TERN.L, 10.25p/£30.9m)

New investment: Investment in Talking Medicines (04.11.20)

- £860k investment in digital health data company, Talking Medicines, for a 23.4% holding. Tern was the lead investor in the £1.1m syndicated funding alongside the Scottish Investment Bank, Scottish Enterprise's investment arm, that followed its initial investment.
- Talking Medicines, based in Glasgow and London, uses advanced artificial intelligence (AI), machine learning (ML) and natural language processing (NLP) techniques to provide pharmaceutical companies with real time data intelligence. It looks to capture the 'global digital voice' of the patient from numerous unstructured online sources and connected devices and determine trends and patterns of patient sentiment around medicines.
- Funds will be used to grow its product team in order to launch its new AI data service and thereby scale its patient database and customer base. For the year ended August 2019, Talking Medicines made an unaudited retained loss of £0.2m and >£1m has been invested in the company to date.
- Tern's second IoT healthcare investment and expands its position in the digital health market. Tern now has six portfolio companies. The investment is into non-participating preference shares with a 6% coupon that can be converted at an initial 1:1 rate. Tern is entitled to appoint the Chair of the board and have one board observer.

Allenby Capital comment: A material investment that increases Tern's portfolio to six companies and represents its second investment in the IoT healthcare market and there are potential synergies with other portfolio companies through the use of AI, ML and NLP. Tern's strategy is to take meaningful stakes in investee companies and operates a hands-on management style and encourages collaboration across the portfolio.

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

ECSC Group plc* (ECSC.L, 70p/£7.0m)

Update: Continued strong revenue and profit growth (04.11.20)

- Group Q3 revenue exceeded the average quarterly revenue for FY19 with the Managed Detection and Response (MDR) division +22% against Q3 FY19. This includes increased Incident Response revenue as the volume of cyber attacks has increased. Adj. EBITDA >£50k per month in Q3. This compares to adj. EBITDA of £52k in H1 FY20 and breakeven in FY19.
- Two previously announced MDR contracts worth an aggregate £580k over three years secured with a major UK rail company and a national builder's merchant. This is equivalent to >20% of the current MDR order book. Also first Nebula contract secured, its lower priced cloud-based managed service offering.
- Continued expansion of the indirect channel with 16 new partners added in Q3 (136 total) generating 14 new sales opportunities in Q3. Resumed recruitment in Security Operations Centres, partner and MDR sales and consultants to meet growing demand.
- Record attendance at new webinar cyber security events - more than two thirds of attendees are non-clients. ECSC shifted from physical quarterly events to monthly webinars with the onset of COVID-19 restrictions.
- Forecasts currently under review.

Allenby Capital comment: Positive update at the UK's longest-running full service cyber security provider with growth in both revenue and profitability. The company moved quickly in response to COVID-19 with cost restructuring, making use of UK and Australian support schemes, strengthening its balance sheet with April's placing and shifting service delivery and sales and marketing online. As a result, the company maintained adj. EBITDA profitability and is now benefiting as additional revenue comes through. Building managed services revenue remains central as it increases revenue visibility and benefits gross margins as its security operation centre capacity is utilised. The acceleration in the shift to remote and cloud-based working has increased the number of potential cyber attack surfaces and there is evidence of more cyber attacks being detected. The recent fines by the UK's Information Commissioner's Office (ICO) of Marriott Hotels (£18.4m) and British Airways (£20m), although lower than the theoretical maximums, represent a huge increase on the previous regime and is focusing attention on the need to invest in cyber security. For all but the largest companies, third party service provision is the only realistic option and ECSC has the technology, expertise and processes to capitalise on the opportunity.

** Allenby Capital acts as Nomad and Broker to ECSC Group 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.

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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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