



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 - 30.11.20 - CPX.L, TERN.L, LSAI.L

CAP-XX Ltd* (CPX.L, 6.8p/£30.1m)

AGM update: New production lines shipping in December (25.11.20)

- Following the successful installation of the former Murata production lines in CAP-XX's new facility at Seven Hills, Sydney, the company is now in the process of manufacturing product for the first product shipments to customers in December. This is in line with the company's previous guidance.
- Management reports strong levels of enquiries for the new DMF, DMT and DMT lines and the level of the order book provides confidence for the outlook for CY21, in spite of the challenging macro-economic picture.
- The total order book (including its existing product set) has increased by more than 10% in the three weeks since the company announced its FY results (03.11.20). As at FY20 (June), the company reported that its order book was more than double the value at the same time in the previous year.
- CAP-XX continues its twin strategy of product manufacturing and IP licensing and will turn to litigation where necessary. The company reports further progress in the pursuit of its various licensing and patent infringement cases.

Allenby Capital comment: An encouraging update and the move into production with the Murata lines represents a major milestone for the company. As previously argued, COVID-19 created a number of additional challenges for what was already an ambitious project. Limiting the impact to a three-month delay and coming in within budget will represent a considerable achievement. The levels of enquiries for the products from the new lines as well as the growth in the order book for CAP-XX's existing product set is also positive. The second revenue stream of IP licensing offers the potential for high margin revenue. There was some progress in the case against Maxwell Technologies/Tesla earlier this month with the case referred to a magistrate judge for alternate dispute resolution (ADR) but also a timetable was set out on how the case will proceed.

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

Tern plc* (TERN.L, 6.85p/£20.6m)

FundamentalVR contract win (24.11.20)

- **FundamentalVR (26.9% holding):** Three-year contract worth £0.4m with an existing client, a global pharmaceutical company, to accelerate the safe and compliant use of the client's product. This follows the initial £0.5m contract announced in December 2019.

- The contract will deliver recurring annual revenue from licence and support to enable the roll out of the training solution that uses the Fundamental Surgery virtual reality platform and is unique HapticVR technology.

Allenby Capital comment: Positive contract news flow at one of Tern's portfolio companies following the successful initial configuration of the Fundamental platform. Fundamental is working with a variety of companies to implement its immersive, data driven medical educational simulations for other pharma company applications as well orthopaedic and ophthalmology area. The use of the platform enables training in a virtual, remote setting rather than the traditional face-to-face method.

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

Location Sciences Group plc* (LSAI.L, 0.45p/£1.0m)

Contract win and trading update (30.11.20)

- Contract win with The Spoken Thought Inc, trading as Mira, representing the second customer for Location Sciences' GeoProtect (Verify Audience) platform. Mira is a high value audience segment supplier to brands and media agencies across the US and will use the GeoProtect platform to independently verify its audience segments.
- FY20 financial performance has been impacted by the significantly reduced location-based advertising spend as a result of COVID-19. With the UK's second national lockdown in November, the anticipated pick up in Verify revenue in Q4 has not materialised and FY20 revenue will be below management expectations.
- The board has taken additional cost reduction measures and believes it has sufficient cash reserves until early 2022 and expects revenue to grow during H1 FY21 as location-based advertising returns. As at 30th November, LSAI.L had cash of c. £1.2m.
- The reduced revenue has been partly offset by additional revenue from Location Sciences' Insights products, including the supply of location data to NHS England and members of the Scientific Pandemic Influenza Group on Modelling (SPI-M) in their analysis of how the movement of individuals is impacting the growth rate of COVID-19 in the UK.

Allenby Capital comment: The quality of data used to build audience segments can dramatically impact the performance of advertising campaigns but it is currently virtually impossible to differentiate between good and bad quality audience data. Location Sciences' third-party independent certification enables suppliers of audience segments to clearly and visibly demonstrate the quality of their products. The platform uses machine learning and pattern recognition technologies in order to detect location ad fraud and location data inaccuracy to reduce ad wastage and improve the effectiveness of location-based advertising programmes.

** Allenby Capital acts as Nomad and Joint Broker to Location Sciences 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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