



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 - 25.01.21 - BOOM.L, ECSC.L, NWT.L

Audioboom Group plc* (BOOM.L, 285p/£44.7m)

FY Update: Record performance on multiple fronts (19.01.21)

[Note published](#)

Allenby Capital comment: Strong Q4 performance from Audioboom plc, the leading global podcast company, as it continues to outpace the global podcasting market. Audioboom bounced back from the Q2 CV-19 lull in Q3 and growth accelerated in the final quarter. Q4 revenue of c. \$8.5m was a record, up 25% on the same period last year and the previous record, and FY20 revenue of c. \$26.8m (+20%) was comfortably ahead of forecast (ACLe: \$25.5m). There were also record KPI performances (brand count, eCPM and available ad inventory). Coupled with continued cost control, adj. EBITDA loss fell to c. \$0.2m in Q4 and c. \$1.8m for FY20 (FY19: \$2.9m, ACLe: \$1.9m). The company has good access to capital (\$6.6m at year end) and management expects to achieve a maiden positive adj. EBITDA for FY21. We introduce FY21 forecasts and set a fair value of 420p/share, equivalent to an FY20 EV/Revenue of 3.3x and 2.5x FY21. Although a premium to the current price, this still represents a significant discount to recent industry transaction multiples.

** Allenby Capital acts as Nomad and Broker to Audioboom Group plc.*

ECSC Group plc* (ECSC.L, 77.5p/£7.8m)

FY Update: Good COVID-19 recovery (21.01.21)

- FY20 revenue expected to be £5.7m (FY19: £5.9m), indicating H2 revenue of £3.0m. Managed Detection & Response (MDR) recurring revenue +22% to £2.4m and management reports a recovery in the Assurance division with 90 new clients secured in FY20 (FY19: 118). Assurance clients represent the main source of MDR clients.
- Adj. EBITDA expected to be >£0.4m (FY19: breakeven), indicating H2 profit of >£350k. Cash of £1.1m at year end (FY19: £0.35m), includes £0.4m of COVID-19 related medium-term government support relating to VAT and PAYE deferral. At H1 cash was £1.26m, including £0.77m of government support. The Group's £0.5m bank facility remains unutilised.
- ECSC has resumed its organic growth strategy and related recruitment activities.
- Forecasts currently under review.

Allenby Capital comment: Good end to FY20 with growth in H2 over H1 and EBITDA accelerating - management was indicating >£50k per month in November's trading update. This is translating into a stronger balance sheet. The accelerated adoption of cloud-based computing driven by the shift to remote working has significantly increased the number of cyber security attack surfaces. During Q2, the first lockdown impacted the level of Assurance activity as many consultants were unable to go into client offices and many companies were focused on setting up staff to work remotely. As remote working has become the new norm and the growth in cyber attacks has accelerated, cyber security has moved back up the agenda and the number of high-profile incidents and associated fines will continue focus boards' minds. ECSC, the UK's longest-running full service cyber security provider, remains well positioned to capitalise on the opportunity via direct sales and its expanding partner network.

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

Newmark Security plc* (NWT.L, 1.2p/£5.6m)

Interims: Improvement heading into H2 (25.01.21)

- Revenue down 23% to £7.9m reflecting the delays in customer projects as installers were unable to get onto sites. In spite of a 11% reduction in operating costs (furloughs, temporary pay cuts and redundancies), there was a £0.9m negative swing in operating profit and PBT to losses of £0.2m and £0.3m, respectively.
- Cash inflow from operations of £0.4m (H1 FY19: £0.1m outflow) and period end cash was £1.7m with access to a £1m overdraft on top. Secured a £2m CBIL with HSBC at a fixed rate of 4.69% p.a. for six years and this has been fully drawn and has enabled the repayment of the existing invoice discount facility. R&D tax credit of £0.5m received. Some expansion in working capital given Q2 revenue weighting.
- **People and Data Management:** Divisional revenue down 22% with Human Capital Management (HCM) down 15% to £4.1m and Access Control down 37% to £1.4m. HCM, as a technology provider, was less impacted by the lockdown restrictions, although HCM sales in North America were impacted by the previously reported merger of Ultimate Software Group and Kronos. Grosvenor did onboard a new HCM software company for its GT4 timeclock and a partner secured an international retailer for the GT10 in a three-year project expected to be worth £2.9m in revenue. In Access Control, sales of its latest platform, Janus C4, a Security Management System, increased 10% but from a very modest base with growth hampered by lockdown restrictions.
- **Physical Security Solutions:** Revenue down 24% to £2.4m. The fall reflected both COVID-19 and the expected reduction in work relating to the Post Office Network Transformation. The division did leverage opportunities brought about by changing work practices (e.g. hygiene screens and night-pay hatches).
- Outlook: Management is more optimistic going into H2. For the full year, management expects a reduction on FY20 revenue but materially less than H1.

Allenby Capital comment: A difficult six months as the company started under lockdown conditions but the outcome was better than management initially anticipated and investment activities have continued with only slightly delays. Trading improved during the period and the outlook is more positive with the recovery in trading activity continuing in H2. Management also took steps to reduce the operating cost base and strengthened the balance sheet with the CBIL. There remains a significant growth opportunity for the company, particularly around the GT timeclock hardware and Janus C4, as lockdown restrictions are gradually reduced.

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

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