



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 - 01.02.21 - TERN.L, MWE.L, MBT.L, PTY.L

Tern plc* (TERN.L, 8.0p/£26.4m)

Portfolio update: Material increase in Wyld Networks' NAV (28.01.21)

- Portfolio company, Wyld Networks Limited, has completed a £750k equity fundraise, including £600k from the same third-party institutional investor who subscribed for £400k of convertible loan notes in May 2020. Tern invested a further £150k.
- All outstanding secured convertible loan notes (Tern and the third-party institution) have been converted into equity. Tern's resultant holding is 78.7% and the book valuation of its holding increases to £4.1m from £1.2m.
- Wyld Networks has recently signed a partnership contract with Wezen Group in Latin America, as one of its partners in the phase 1 testing of its Wyld Connect Satellite IoT solution. This solution, when coupled with its satellite partner's proposed deployment of a low earth orbiting satellite constellation, can play a significant part in enabling data connectivity in remote areas.

Allenby Capital comment: Significant increase in the value of Tern's holding in Wyld Networks with the new funding. Meanwhile Wyld continues to make good commercial progress on a number of fronts. Securing external investors for Tern's portfolio companies is central to the Tern investment case.

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

MTI Wireless Edge Ltd* (MWE.L, 78.5p/£69.5m)

Mottech contract renewal (27.01.21)

- Service agreement renewal at Mottech with one of the five largest municipalities in Israel and one of Mottech's largest and longest standing customers. Worth an initial \$0.65m over two years but management expect it to expand to four years and could be worth c. \$2.5m in total given additional work.
- Customer has substantially increased its deployment of Mottech, having tripled the area covered to more than 2,000 acres of city landscapes. It has also increased the wireless monitored and area from 30% of the landscape to more than 95%, reducing water consumption per cubic meter by two thirds.
- No change to [forecasts](#).

Allenby Capital comment: Mottech, MTI's subsidiary in the wireless irrigation control solutions sector, has a number of long-term relationships with public and private sector organisations. It provides remote control solutions for water and irrigation applications based on Motorola's IRRInet control, monitoring and communication technologies and acts as Motorola's global prime distributor. Core market segments include agriculture, water distribution, municipal and commercial landscape as well as wastewater and storm water reuse. Given the increasing pressure on water supplies, this represents a long-term global growth opportunity.

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

Mobile Tornado plc* (MBT.L, 4.75p/£18.0m)

FY update: Recurring revenue stable, more positive outlook (25.01.21)

- H2 revenue of c. £1.2m, down £0.1m on H1, and FY20 revenue £2.5m (FY19: £3.5m). FY recurring revenue remained stable at c. £2.0m but one-off revenue down £0.9m to £0.5m, reflecting the impact of COVID-19 on closing out contracts in its main growth markets (South Africa and South America). It has been difficult to conduct trials with new customers and Government departments have been more focused on the public health challenges.
- FY operating costs reduced £0.4m to £2.7m reflecting further efficiencies in its operations and its technical platform. FY EBITDA loss of c. £0.4m (FY19: breakeven).
- Some cause for optimism going into 2021 with strong momentum in the Colombian market where MBT has built a server platform for a major Mobile Network Operator (MNO) that is using it for a dedicated communication system for the country's largest bus operator. Numerous other businesses (transportation, security and logistics) are showing interest. This is being partly driven by the shutdown of the country's IDEN network and businesses need to find alternative radio-based communications platforms.
- Renewed contract with a long-standing MNO customer in North America for another 12 months.
- Expect activity to pick up in 2021 and target of moving into an EBITDA positive position during 2021.
- FY results expected during the week commencing 29 March. Forecasts are currently under review.

Allenby Capital comment: In spite of difficult trading conditions, MBT's recurring revenue has remained stable and the company has exited with only a small EBITDA loss. It also signed a partnership agreement with Telrad Networks, a global LTE telecoms solutions provider, during the to offer an integrated, end-to-end Push-to-Talk (PTT) service over broadband and Hubcat, its partner in the Caribbean, has deployed a PTT track and trace program in The Bahamas. Mobile Tornado has developed a proven fast, scalable and secure carrier grade cellular-based PTT solution with more functionality and at a significantly lower total cost of ownership compared with traditional LMR/DMR services and more scalable and robust than rival PTT solutions. Sales cycles have suffered from the impact of CV-19 but MBT remains engaged in a number of significant opportunities and existing customers continue to expand their usage of MBT's PTT service.

** Allenby Capital acts as Nomad and Broker to Mobile Tornado plc.*

Parity Group plc (PTY.L, 9.25p/£9.4m)

FY update & contract win: Expect return to profit and revenue growth in FY21 (28.01.21)

- Adj. full year profit (excluding non-underlying items) expected to be in line with FY19 at c. £115k. H2 reported PBT, the first in two years. Company-wide transformation programme completed in H1 FY20 and hence no material non-underlying costs in H2.
- Good cash collection resulted in net cash positive position at year end (excluding lease liabilities).

- Appointment as Commercial Director the former Commercial Lead for Accenture in the UK and Ireland.
- Outlook: Increasing confidence that the company can return to revenue and profit growth in FY21. Recent wins include: a contract extension in the retail sector for a further twelve months; a new consultancy customer (a very large multinational business); and the company is in the very final stages of securing a significant new framework contract in the public sector.
- Separately (01.02.21), announced three-year contract with the Scottish Government where it has been appointed as its Digital Resources partner to support the delivery of the Reaching 100% (R100) superfast broadband infrastructure programme. The award represents a total opportunity of up to £5.0m over the next three to six years and strengthens the current order book.

Allenby Capital comment: The FY20 transformation programme resulted in annualised gross operating savings of >£4m and after £1.8m of re-investment (including IT infrastructure, recruitment and marketing), net annualised operating costs of £2.4m and the full benefit of these will be seen in FY21. The operating cost base is also more flexible and the company is now focused on higher margin revenue streams around data, digital transformation and cyber security. Parity has considerable experience and expertise in the Public Sector and has long been present on the key framework agreements (GCloud and DOS). Investment in digital transformation represents a key area of Public Sector spend and Parity is well placed to capitalise, as evidenced by the win with the Scottish Government.

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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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