



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 - 29.03.21 - ECSC.L, BIRD.L, STAR.L, MWE.L

ECSC Group plc* (ECSC.L, 75p/£7.5m)

Finals: Growth in MDR; recovery in Assurance (24.03.21)

[Note published](#)

Allenby Capital comment: FY20 results in line with January’s trading update for the UK’s longest-running ‘full service’ cyber security provider with revenue growth in H2 over H1 and EBITDA accelerating during the year. The first lockdown impacted Q2 Assurance activity as consultants were unable to go onsite but this has since recovered. Meanwhile Managed Detection & Response (MD&R) continued to grow. As remote working has become the new norm, cyberattacks have proliferated and cyber security has moved back up the agenda with high-profile incidents and associated fines focussing attention. ECSC remains well positioned to capitalise on the opportunity via direct sales and its established partner network. It has proven expertise and high staff retention, backed by its proprietary technology stack. We reintroduce forecasts that show a return to revenue growth but also targeted recruitment that will depress FY21 EBITDA before accelerating. We set a fair value of 130p/share, equivalent to a FY22 EV/EBITDA of 21.0x.

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

Blackbird plc* (BIRD.L, 24.5p/£82.6m)

Contract win: BT chooses Blackbird for cloud video production (29.03.21)

- BT has chosen Blackbird for its eponymous cloud video editing platform for ultra-fast and sustainable cloud native video editing and publishing of clips, highlights and long form content to multiple devices and platforms.
- BT’s Content Operations team will use Blackbird to access and edit multiple live broadcast streams of sports and other content for the fast production of assets for downstream distribution for OTT and VoD channels.

Allenby Capital comment: BT represents another important win in Blackbird's core sports and news market where speed of content turnaround is critical. Blackbird also helps BT with its increased focus on remote working and migration to a cloud architecture as Blackbird enables editors to access almost real time content from anywhere irrespective of bandwidth connection through its ultra-fast codec.

** Allenby Capital acts as Nomad and Broker to Blackbird plc*

Starcom plc* (STAR.L, 0.825p/£2.9m)

Finals: Difficult year for hardware; SaaS revenue resilient (18.03.21)

- FY20 was challenging, as flagged in February's update, with revenue down 26% to \$5.0m. Within this, Starcom's SaaS revenue increased c. 9% to \$2.2m while hardware fell 41% to \$2.8m as a number of projects were delayed by the pandemic. Gross margin was down to 33% (FY19: 41%), reflecting lower sales revenue and the impact of higher costs of raw materials, shipment and logistics.
- Management responded by reducing operating costs and securing a long term bank loan as well as government grants. Operating costs, excluding exceptional provisions for made for doubtful debt (\$0.5m) reduced 12%. Adj. EBITDA saw a negative swing of \$0.7m to a loss of \$0.4m. Net debt was \$0.7m (FY19: \$0.2m).
- Starcom continues to work with existing and potential customers. For example, work with Zero Motorcycles continued to integrate Starcom's monitoring and tracking technology with Zero's new generation of electric motorcycles. Additional projects included working with the National Transport and Safety Authority of Kenya and central authorities in South America for potential deployment of Starcom's products in container and shipment transportation. It has also assisted vaccination organisations in Panama for monitoring vaccines in transit.
- Outlook: Forecasting the outturn for FY21 remains difficult given the ongoing pandemic-related challenges. Management has also noted increases in the costs of raw materials and in the lead times for supply. That said, management is cautiously optimistic and expects revenue will increase in H2 as markets gradually return to some normality.

Allenby Capital comment: A challenging year for the supplier of wireless IoT based solutions for the remote tracking, monitoring and protection of a variety of assets with a number of projects/customers impacted by the pandemic. Some customers were unable to place orders and some were unable to make scheduled payments for existing orders as expected. Following the successful launch of the Lokies intelligent keyless padlock, management had anticipated a significant flow of orders in 2020 but these did not progress as hoped. Management has taken steps to reduce the cost base and strengthen the balance sheet. It also continues to work with existing customers and has continued to develop its product portfolio.

** Allenby Capital acts as Nomad and Joint Broker to Starcom plc.*

MTI Wireless Edge Ltd* (MWE.L, 80.5p/£71.3m)

Placing of secondary stock (25.03.21)

- Placing of 3.650m shares of existing shares, equivalent to 4.1% of the company, to institutional and other investors at a price of 80p/share, a 1.8% discount to the closing mid-price on March 24th. This followed a series of investor presentations on the back of the recent final results.
- As a result, Herald Investment Management has increased its holding to 5.0%. Vela Technologies (VELA.L) also invested £200k.
- No change to [forecasts](#).

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

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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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