



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 - 06.04.21 - TERN.L, MBT.L

Tern plc* (TERN.L, 8.85p/£29.2m)

Finals: Good commercial progress across portfolio (31.03.21)

- FY NAV increased 27% to £24.0m, equivalent to 7.3p/share, a function of a £2m net fair value uplift, £2m of additional investments (£0.9m into Talking Medicines and £1.1m in follow on investments) and cash increasing £1.1m to £2.1m. £4.5m (gross) was raised during the year through three placings. £0.8m PBT (FY19: £0.8m LBT).
- Tern saw a £2.6m fair uplift in its existing stake in Wyld Networks to £4m following the fundraise in January 2021. This £0.75m placing included an external party - Tern made an additional £150k investment in this round. The gain was partially offset by a £0.4m exchange rate loss on the Device Authority investment as the pound strengthened during the year.
- Robust response by the company and its portfolio companies to COVID-19 with notable commercial successes in Q4 and most companies exceeded management expectations. Tern initiated portfolio CEO roundtables twice a month and this has resulted in commercial synergies. Aggregate revenue of portfolio companies (excluding Talking Medicines) +18% but headcount remained flat following 31% expansion in FY19.
- Investment in Talking Medicines in November and PatientMetRx data service that captures and translates what people post about their medicines on social media using proprietary AI, ML and NLP went live in February. FundamentalVR saw increased interest in its training platform during H2 from potential new customers and repeat sales to its existing base.
- Device Authority saw revenue growth with key sales wins in the healthcare, industrial and automotive markets, working with Microsoft Azure, Wipro and nCipher (EnTrust) as technology partners. Annual recurring revenue is expected to accelerate in FY21 and DA will expand its resources in the North America and EMEA markets. InVMA recruited Peter Stephens as CEO in mid-2020 and has shifted from service to product sales. It has also expanded its channel.
- Separately, the company announced that the maturity date of the convertible loans provided to Device Authority by Tern, Alsop Louie Partners, and the George Samenuk Family Trust et al to November 30th, 2021. The outstanding loan balance to Tern currently stands at \$4.3m, excluding \$0.4m of accrued interest.

Allenby Capital comment: Good commercial progress across Tern's portfolio of companies focused on the industrial and medical IoT markets in spite of the COVID-19 disruption. Management has successfully pooled the expertise and networks of the board and the individual companies to identify synergies. The fair value uplift in Wyld Networks bears out the

company's investment strategy. Tern also expanded the portfolio with the addition of Talking Medicines and has cash to invest further in new and existing portfolio companies.

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

Mobile Tornado plc* (MBT.L, 4.45p/£16.9m)

Finals: Recurring revenue flat; outlook more positive (30.03.21)

- FY20 Recurring revenue essentially flat at £2.0m but non-recurring revenue (installation fees, hardware, professional services, and capex licence fees) down 65% to £0.5m as projects and sales cycles were impacted by COVID-19.
- Operating costs reduced 14% to £2.7m reflecting increased efficiency and Adj. EBITDA loss of £0.4m (FY19: breakeven). Cash at bank of £0.2m (FY19: £0.3m) and net debt of £9.1m (FY19: £8.6m).
- MBT successfully deployed a track and track application with the Government of Bahamas to assist the management of COVID-19 related quarantine. Partnership agreement with Telrad, a global LTE telecoms solutions provider, to offer an integrated, end-to-end solution for Push-to-Talk (PTT) communication over broadband. Partner network expanded with new agreements covering Peru, Spain, Portugal, Andorra, and the UK. Renewal of agreement with major North American MNO for a further 12 months and ongoing work with Israel's leading MNO.
- Many of the new business opportunities were in South America and South Africa, two markets hit particularly hard by the pandemic. A number of these opportunities were with Government departments, agencies and utilities that became subject to budget cuts and freezes as resources were redeployed to manage the response to the crisis.
- Outlook: Management reports increased levels of activity in its key markets and MBT has entered 2021 with a strong pipeline of potential new clients. In particular, MBT plans to establish a strong business platform in Mexico and Colombia and to use that as the base to move into other countries within the region. MBT's solution is currently being used by c. 400 organisations across these two markets.

Allenby Capital comment: A difficult year for the leading provider of instant communication mobile applications to the enterprise market as its target geographies and verticals were hard hit by the pandemic. The resilience of the recurring revenue is encouraging as well as new deployments, such as the Bahamas. Activity has picked up in 2021 and the advantages of Push-to-Talk over cellular/broadband compared with LMR (Land Mobile Radio) around cost and functionality remain compelling. The switch off of iDEN networks also represents an additional catalyst in a number of countries.

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

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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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