



Please find below our weekly update covering themes that we feel 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 - 14.06.21 - TERN.L, CPX.L, MWE.L, NWT.L, BIRD.L

Tern plc* (TERN.L, 23.75p/£78.5m)

Portfolio update: Proposed IPO of Wyld Networks (09.06.21)

- Proposed IPO of portfolio company Wyld Networks on the NASDAQ First North Growth Market in Stockholm. Wyld Networks is looking to raise c. £2.1m with Tern contributing c. £0.3m. Warrants associated with the placing representing an additional potential £5.9m to Wyld to be issued at 125% and 150% of the Offering price (SEK 11.00). Shares are expected to start trading on 2 July.
- Tern's holding will reduce to c. 60% from 78.7% post IPO. Tern's investment in Wyld was last valued at £4.1m following January's raise and would increase to £4.7m, including the £0.3m participation, and Tern will have invested £1.75m to date. Wyld will be valued at c. £7.7m at the IPO placing price.
- Wyld Networks develops and sells innovative wireless technology solutions that enables affordable terrestrial and satellite connectivity for IoT devices and sensors anywhere in the world; and for connecting smartphones directly together into a wireless mesh network without the need for 4G or Wi-Fi in areas where mobile networks are congested or not available.

Allenby Capital comment: The proposed IPO for Wyld represents an important proof of Tern's strategy of investing in early stage companies, taking meaningful stakes and then helping portfolio companies develop their commercial strategies before looking towards a liquidity event (trade sale/IPO etc). The placing and associated warrants provides Wyld with access to additional capital as well raising its profile and reducing its reliance on Tern for future funding. There is also the opportunity for Tern to reduce its stake once the one year lock up has come off.

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

CAP-XX Ltd* (CPX.L, 8.15p/£36.0m)

FY pre-close update: Continued growth in order book (10.06.21)

[Note published](#)

Allenby Capital comment: The FY pre-close update from CAP-XX Ltd (CPX.L), the leading designer and manufacturer of prismatic and cylindrical supercapacitors, indicates FY21 revenue at A\$4.1m to A\$4.2m, comfortably in line with our forecast, and EBITDA loss of A\$2.1m to A\$2.2m better than expected (ACLe: A\$2.4m). Management reports further growth in the sales order book (+127%) from new and former Murata customers and there have been multiple contract announcements

year to date. Meanwhile the capacity and yield of supercapacitor production continues to improve at the new Seven Hills facility. CAP-XX has a dual strategy of product manufacturing and IP licensing and it continues to pursue its litigation against Maxwell Technologies (Tesla) and is progressing other licensing and patent infringement actions. We take this opportunity to introduce FY22 and FY23 forecasts with substantial revenue growth as well as nudging up our FY21 forecasts and introduce a fair value of 16.5p/share, equivalent to 12x FY23 EV/revenue.

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

MTI Wireless Edge Ltd* (MWE.L, 64.5p/£57.1m)

Contract win: Mottech service agreement in Canada (08.06.21)

- Three-year service agreement with a major Canadian City worth an estimated C\$300k. The city, which has one of the largest municipal water irrigation systems in the world, was previously a client of Mottech through its reseller but the new contract is now directly with Mottech following its opening of a new office in Alberta and the retirement of the local reseller.
- Separately, MTI has resumed the purchasing of shares to be held in treasury with a purchase of 50,000 shares at 61p/share.
- No change to [forecasts](#) and 95p/share fair value.

Allenby Capital comment: Canada has historically been an important and profitable market for Mottech and the new direct operation has started well with equipment sales and this service contract. The service contract also increases MTI's recurring revenue base.

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

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

FY pre-close update: Recovery in H2, brighter outlook (09.06.21)

- Improved performance in H2 should result in FY revenue of c. £17.7m, down c. 6% on FY20, and a marginal profit. To put the scale of improvement into context, H1 FY21 revenue was down 23% to £7.9m with an £0.2m operating loss.
- The Human Capital Management (HCM) part of Grosvenor saw revenue increase 6% y-o-y, in spite of the expected fall of revenue from Ultimate Software following its acquisition of Kronos Incorporated, a Grosvenor competitor. Stripping out Ultimate, revenue increased c. 40%. Grosvenor's Access Control division was more impacted by COVID-19 with installers restricted over site access but there was an improvement H2 over H1 and Janus C4 continues to gain traction.
- Safetell saw FY revenue down 7% but this represented a strong recovery in H2 as H1 was down 24% y-o-y and management reports a strong sales pipeline.
- Outlook - HCM is expected to continue to grow with the continued onboarding of software houses and the further roll out of its Software as a Service (SaaS) and Clock as a Service (ClaaS) subscription services that helps to build recurring revenue. There is further scope for the transition of legacy access control systems to Janus C4 and steady growth anticipated at Safetell where management has broadened the product range.

Allenby Capital comment: A solid performance given the disruption caused by COVID-19. Management made good use of the available government support schemes and also reduced the cost base. The momentum seen in H2 has continued into FY22 and there are considerable opportunities as companies adjust to new working practices (e.g. mask detection, touchless products, fever detection, phone/lift integration, traffic management, hygiene shields, and security portals).

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

Blackbird plc* (BIRD.L, 32.0p/£107.9m)

Contract win: Cheddar News (14.06.21)

- Contract with Cheddar News for the supply of Blackbird's eponymous cloud native video editing platform for ultra-efficient, flexible and sustainable video production.
- Cheddar News, part of Altice USA, is a digital-first news network that was launched in 2016 in the US and targets the millennial audience. It focuses on tech, innovation, business, politics, media, entertainment and culture and is available live and on-demand across all traditional and OTT platforms. This includes daily live broadcasts from the floor of the NYSE, Nasdaq, Flatiron Building (New York) and White House lawn and briefing room. Its monthly video views exceed 55m.
- Cheddar News' distributed production team will use Blackbird remotely and office based to rapidly access and edit Zixi live broadcast feeds and file-based content for fast distribution to broadcast, OTT, web and social channels. Cheddar News reporters will also be able use Blackbird to easily and quickly curate and publish news stories from the field.
- No commercial terms were disclosed.

Allenby Capital comment: A high profile US contract win in the news market, a core Blackbird vertical. Cheddar's distributed teams will be able to work on Blackbird's unified editing and publishing platform either remotely, from the field or from centralised production locations. This flexibility is a key differentiator compared with the traditional monolithic premise-based video editing platforms.

** Allenby Capital acts as Nomad and Broker to Blackbird 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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