



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.

*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 - 31.08.21 - CLCO.L, BIRD.L, STAR.L, TERN.L**

### **CloudCoCo Group plc\* (CLCO.L, 1.35p/£9.5m)**

#### **Initiation: Challenging the incumbent UK IT providers (24.08.21)**

[Download note](#)

**Allenby Capital comment:** CloudCoCo Group plc (CLCO.L), a managed IT services provider (MSP) and value added reseller (VAR) to the UK public and private sector, has, subject to GM, raised £2.1m at 1p/share to fund an acquisition and increase working capital. The acquisition, an automated cloud-based VAR and MSP, will scale CLCO’s current operations – customers, revenue, and product and service offering. The CloudCoCo Ltd team that joined in late 2019 has successfully turned round the inherited business and the proposed acquisition will further accelerate its growth. CloudCoCo is focused on four key IT spending trends: Cloud, Cyber security, Connectivity and Collaboration. Although COVID-19 has caused disruption, the pandemic has accelerated these trends and CloudCoCo can capitalise with its asset-light model and focus on quality and speed of service. The UK MSP market remains fragmented and CloudCoCo can grow organically and through further acquisition. We introduce forecasts for the enlarged group and a 2.15p fair value.

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

### **Blackbird plc\* (BIRD.L, 33.75p/£113.8m)**

#### **Contract win: CBS Sports Digital secured (23.08.21)**

- CBS Sports Digital, a division of ViacomCBS, has selected Blackbird's eponymous software for professional, collaborative and scalable cloud video editing and publishing of sports content. Accessing Blackbird via a browser, editors will have the ability to access live and file-based content for editing and enriching. This will reduce the need to travel to a facility and also eliminate the need to transmit material between multiple local storage environments.
- No commercial details were provided.
- Interim results are scheduled for 13 September.

**Allenby Capital comment:** Another major media company secured in the US market and success at CBS Sports Digital should provide the opportunity to sell into other ViacomCBS divisions. Blackbird has demonstrated considerable commercial momentum in the sports sector that plays to the strengths of its cloud based video editing software: eliminating the need for editors to travel to the event, rapid turnaround of content and distribution to multiple channels,

and minimising local storage and bandwidth requirements. We also note the announcement that Adobe is acquiring Frame.io, a video review and collaboration platform, for \$1.3bn in cash. Although Frame.io has a slightly different emphasis in its offering, it provides further evidence that Blackbird is in the right place as the structural shift to the cloud continues.

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

### **Starcom plc\* (STAR.L, 0.825p/£2.9m)**

#### **Interims: Resilient performance, more positive outlook (27.08.21)**

- Revenue declined 3% to \$2.3m but recurring SaaS revenue increased 3% to \$1.1m with good customer retention. Higher gross margin (40% versus 33% reflecting a more profitable product mix) and operating cost reduction (-5% to \$1.4m) offset the reduction in revenue and the increase in component prices and shipping costs and the adj. EBITDA loss remained flat at \$167k. Cash of \$183k was generated from operations and gross cash was \$328k (FY20: \$264k).
- Given component shortages and very long lead times, Starcom successfully adjusted its hardware bill of materials several times during H1. It also continues to invest in its product set and added a new low cost version of Helios for particular geographies. This new vehicle tracking device should help to drive additional SaaS revenue over the next few years. An extended battery life version of the Kylos product, Kylos E, for merchandise tracking was also released.
- Management reports a record sales pipeline. There is increased interest in its innovative Lockies smart padlock. The previously announced proof of concept at DHL is expected to complete in Q3. Meanwhile a major emergency service provider, United Hatzalah, has selected Starcom for the supply of smart defibrillator cabinets to be installed in public areas for emergency response.

**Allenby Capital comment:** Interim results demonstrate resilience in the face of ongoing COVID-19 disruption and the challenges of component shortages. The outlook is more positive with a record sales pipeline, the United Hatzalah contract and the ongoing DHL PoC. Management expects a considerable improvement in H2 results and beyond and while the current disruptions to the global supply chain has impacted the company it provides a considerable market opportunity for its tracking product set.

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

### **Tern plc\* (TERN.L, 21.75p/£76.5m)**

#### **Wyld Networks debt financing (25.08.21)**

- Wyld Networks AB, a portfolio company where Tern has a 60.7% stake, has secured debt financing of c. £1m with Formue Nord Fokus A/S. The financing will be used to bring forward the recruitment of additional sales and development resources to accelerate the commercialisation of Wyld's solutions.
- The loan has a set up fee of 4.0% and a fixed interest rate of 1.0% per month. In addition, the lender will receive 1.1m warrants at a subscription price of 70% of the volume weighted average price of Wyld Networks' shares during the period from 02.05.23 to 15.05.23 with a maximum of SEK15.75. Existing Wyld shareholders, including Tern, will receive one warrant with the same terms for every seven shares held.

**Allenby Capital comment:** Wyld Networks was listed on the Nasdaq First North Premier Growth Market in Stockholm in July raising c. £2.1m, including £300k from Tern, with a potential further c. £5.8m from the exercise of warrants. The IPO was intended to raise Wyld's brand recognition, enable the raising of additional funds for expansion, reduce the dependence on Tern for funding and provide a public market equity valuation and liquidity for Wyld's shareholders.

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

=====

### **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](mailto:d.johnson@allenbycapital.com).*

=====

#### **DISCLAIMER**

Allenby Capital Limited ("Allenby") is incorporated in England no. 6706681; is authorised and regulated by the Financial Conduct Authority ("FCA") (FRN: 489795) and is a member of the London Stock Exchange. This communication is for information only it should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It is a marketing communication and non-independent research, and has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The cost of Allenby research product on independent companies is paid for by research clients.

This communication is for the use of intended recipients only and only for distribution to investment professionals as that term is defined in article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Its contents are not directed at, may not be suitable for and should not be relied upon by anyone who is not an investment professional including retail clients. Any such persons should seek professional advice before investing. For the purposes of this communication Allenby is not acting for you, will not treat you as a client, will not be responsible for providing you with the protections afforded to clients, and is not advising you on the relevant transaction or stock. This communication or any part of it do not form the basis of and should not be relied upon in connection with any contract.

Allenby uses reasonable efforts to obtain information from sources which it believes to be reliable. The communication has been prepared without any substantive analysis undertaken into the companies concerned or their securities, and it has not been independently verified. No representation or warranty, express or implied is made, or responsibility of any kind accepted by Allenby its directors or employees as to the accuracy or completeness of any information in this communication. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice. There is no regular update series for research issued by Allenby.

No recommendation is being made to you; the securities referred to may not be suitable for you and this communication should not be relied upon in substitution for the exercise of independent judgement. Neither past performance or forecasts are a reliable indication of future performance and investors may realise losses on any investment. Allenby shall not be liable for any direct or indirect damages including lost profits arising from the information contained in this communication.

Allenby and any company or persons connected with it, including its officers, directors and employees may have a position or holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such security or instrument. Allenby may have been a manager in the underwriting or placement of securities in this

communication within the last 12 months, or have received compensation for investment services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment services from such companies within the next 3 months. Accordingly, recipients should not rely on this communication as being impartial and information may be known to Allenby or persons connected with it which is not reflected in this communication. Allenby has a policy in relation to management of conflicts of interest which is available upon request.

This communication is supplied to you solely for your information and may not be reproduced or redistributed to any other person or published in whole or part for any purpose. It is not intended for distribution or use outside the European Economic Area except in circumstances mentioned below in relation to the United States. This communication is not directed to you if Allenby is prohibited or restricted by any legislation or registration in any jurisdiction from making it available to you and persons into whose possession this communication comes should inform themselves and observe any such restrictions.

Allenby may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country's laws for which Allenby does not accept liability.

By accepting this communication, you agree that you have read the above disclaimer and to be bound by the foregoing limitations and restrictions.

**Research recommendation disclosure**

David Johnson is the author of this research recommendation. David Johnson is employed by Allenby Capital Limited as an Equity Analyst.

Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication. Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at [www.allenbycapital.com](http://www.allenbycapital.com).

**Allenby Capital**

**5 St Helen's Place London EC3A 6AB**

**+44 (0)20 3328 5656**

[www.allenbycapital.com](http://www.allenbycapital.com)

---