



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.

TMT UPDATE - 23.10.17 (WAND.L, ECK.L, BOOM.L)

WANDisco plc (WAND.L, 862p/£325m)

Capital Markets Event: Replication and restore driving demand

(17.10.17)

- Well-attended Capital Markets Event with presentations from management, IBM and industry analysts Wikibon. Subjects covered included WANDisco's shift from Hadoop to more general data stores and from a direct to an indirect sales model. This has substantially increased WANDisco's addressable market.
- The volume of data continues to expand and, at the same time, data/computing is becoming even more distributed and data needs to be available at all times to applications across the enterprise. The emergence of cloud computing adds to the complexity as they are inherently multi-geo and enterprises will continue to have data on premise and in the cloud. This is driving demand for near real-time replication of continuously changing data to the cloud and on-premises data centres and application-oriented restoring. Fusion offers data centre to data centre, data centre to cloud, physical data movement and cloud to cloud replication.
- Switch to channel sales has resulted in WAND reducing direct sales and pre-sales headcount and invested in channel managers and support. As a result, c. 50% of FY17 revenue is expected to be derived from OEM (IBM) or Co-sell (Oracle) sales. The channel's sales people's quotas include compensation on WAND sales.
- OEM deal with IBM for inclusion in 'IBM Bi Replicate' represented an important step for WAND. Big Data represents a core growth initiative for IBM - it also has an OEM agreement with Hortonworks for Hadoop. IBM has a portfolio of Hadoop value added products, its Hybrid Cloud strategy and BigReplicate can accelerate cloud adoption and it offers a range of analytics products. IBM believes that BigReplicate with Fusion has no commercial alternative.
- Separately, WAND announced that WANDisco Fusion is now fully integrated with Microsoft Azure Data Box. This enables Microsoft customers to use the storage on Azure Data Box for bulk data transfer rather than transferring data across the network. Users continue to write to the local cluster and changes are replicated once the bulk data has been uploaded. This is faster, cheaper and doesn't clog up the network. This follows the announcement of the launch of one of the first hybrid data lake architectures in collaboration with Amazon Web Services.

Allenby Capital comment: Shares have performed very strongly this year (+330% YTD) and are back to the levels last seen in early 2014 although still significantly below the euphoric levels of 2013. The business has developed substantially with the shift to indirect sales (securing partnerships with IBM, Oracle, Microsoft and Amazon Web Services), contracts secured for Fusion and a maiden positive adj. EBITDA in H1. The outlook is positive with demand for near real-time data replication and application-oriented restoring increasing. That said, the current valuation (25x FY17 EV/Sales and 20x FY18) assumes significant growth in both revenue and margin and WAND and its partners need to deliver.

Eckoh plc (ECK.L, 50.5p/£127.2m)

Interim pre-close: Inline - US growth (18.10.17)

- H1 trading in line with expectation with double-digit percentage growth in both revenue and gross profit (H1 FY17: £13.5m and £8.8m respectively). Net cash of £1.7m (H1 FY17: net debt £2.1m). UK performance similar to H1 FY17 with a strong pipeline of deals for H2.
- In the US, it secured seven new Secure Payments contracts in H1 with a total value of \$5.1m. The largest, worth \$1.6m, was won against the Group's main competitor and all were contracted on the opex model. Eckoh has now won 30 payments contracts in the US.
- Interims on Wednesday 22nd November.

Allenby Capital comment: Eckoh's success in the US bears out the general view that the UK and European markets remain in the vanguard of payment technologies and the US offers a substantial growth market. The US addressable market is large (c. 14,000 contact centres with 50+ seats compared with 2,500 in the UK) and accounted for c. 72% of data breaches in 2016 with Card Not Present (CNP) fraud increasing 40% to represent 45% of fraudulent transactions as fraudsters shift attacks to the point of least resistance and Card Present security increases with the adoption of Chip and PIN. Any company processing payment card data needs to comply with the PCI DSS regulations drawn up by the five largest payment providers. This ongoing compliance, as well as the range of other data security regulations (including GDPR), creates an administrative burden that companies are happy to outsource to the likes of Eckoh, SemaFone and **PCI-PAL (PCIP.L)**. The scale of this US growth opportunity is reflected in ECK's current rating of 31.6x FY18 and 25.7x FY19.

Audioboom plc (BOOM.L, 3.125p/£29.1m)

Podcast market update: Continued market investment (20.10.17)

Podcasting continues to be a focus of VC investment and market consolidation. As previously discussed, this reflects the confluence of a number of factors - the rise of voice assistants (such as Amazon's Echo and Google's Home) is driving interest in voice content; increasing advertiser frustration with traditional digital advertising; and the high levels of engagement and attractive demographic offered by podcasts. Finally the changes brought in with iOS 11 to Apple Podcasts app, the most popular podcast app, have addressed some of advertisers' criticisms about the lack of performance data for podcast listening. The US podcast advertising market is expected to be worth \$220m this year, up 85% (Source: PwC). Historically, VCs have been wary of the industry, viewing podcasting as a niche but have embraced the format in 2017. Recent transactions include:

- Podcast player **CastBox** has announced that it raised an \$12.8m Series A round from China's Qiming Venture Partners, IDG Capital, SIG China, GSR Ventures and ZhenFund - in June. This follows \$3.2m in earlier raises in 2016. CastBox has launched an audio search feature on its iOS and Android podcast player that uses natural language processing to let listeners search for keywords and topics.
- New York-based **Anchor** raised \$10m in a series A round led by GV, Google's venture capital arm, in September, bringing the total to c. \$15m. Anchor has developed an app that makes easier to record and distribute content as well as a discovery platform. Users can also make calls directly via the app, facilitating a podcast conversation with multiple parties and listeners can dial in.
- Google has acquired the team behind **6odB**, a platform for podcasts and other short-form audio stories. It will be shutting down the 6odB service on Friday 10th November.
- In September, **Acast** announced a \$19.5m raise from a group of Swedish investors. Acast is a full service podcast platform that with its eponymous player; cloud storage, analytics and other features for podcasters; and programmatic advertising tools for marketers. It claims 56m listens per month and more than 2,000 creators on its platform. Acast had previously raised c. \$13m.

- **Gimlet Media**, the podcast studio/network with shows such as StartUp and Reply All, raised \$15m in August in a round led by Stripes Group with a reported \$55m pre-money valuation. In September, WPP invested a further \$5m.
- Other August transactions include: **HowStuffWorks** (\$15m, publisher), **Digital Media**/Cadence13 (sold 45% stake to Entercom for \$9.7m, podcast publisher/network) and **ART19** (\$7.5m, podcast distributor).

Allenby Capital acts as Nomad and Broker to Audioboom.

Allenby Capital's research on Audioboom is available [here](#).

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