



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 - 16.10.17 (CCT.L, CPX.L, OSI.L, SPA.L)**

### **The Character Group plc (CCT.L, 404p/£85.4m)**

#### **Trading update: Toys R Us casts a long shadow (11.10.17)**

**Allenby Capital comment:** The effects of the Chapter 11 bankruptcy protection filing of Toys R Us in the US and Canada continues to ripple across the global toy industry and cloud the outlook. Combined with a generally challenging consumer backdrop, The Character Group's management expects FY18 will now be significantly below market expectations. We had reduced FY18 and FY19 forecasts at the top and bottom line on the back of the last trading update (20.09.17) but cut numbers further on the back of today's update. We now expect FY18 will fall below FY17 at the top and bottom level before returning to growth in FY19. Management expects cash flow to remain positive, however, and the company has reiterated its commitment to a progressive dividend policy and ongoing share buyback programme – the shares now yield >6% for FY18 following today's price fall. We reduce our fair value to 580p (from 680p), equivalent to a FY18 PER of 13.9x and 4.0% yield. FY17 results are expected during the week commencing 4th December.

*Allenby Capital acts as joint broker to The Character Group plc.*

*Allenby Capital's research on The Character Group is available [here](#).*

### **CAP-XX plc (CPX.L, 12.3p/£36.7m)**

#### **Finals: Buoyant outlook (09.10.17)**

**Allenby Capital comment:** CAP-XX has made significant strides during 2017 in the commercialisation of its unique supercapacitor technology and the outlook is buoyant. The existing licences have performed well with sharp growth in royalty payments. Meanwhile numerous new licensing deals are under negotiation and the board expects at least one of these will close during FY18. These would represent high margin upside to our current forecasts. Sales enquiries for prismatic supercapacitors, including Thinline, are at record levels and the company won its first volume order in August for an Internet of Things (IoT) application and other design wins have been secured. IoT and Automotive represent the key target markets and three large automotive opportunities are currently under development with new custom designed automotive systems out for evaluation. Meanwhile CAP-XX's range of cylindrical cell supercapacitors have been well received. FY17 results were in line with forecasts and the guidance provided in June. The company is well funded to capitalise on the significant global growth opportunity as more industries embrace supercapacitors as a complement or replacement for batteries.

*Allenby Capital acts as Nomad and broker to CAP-XX plc.*

*Allenby Capital's research on CAP-XX is available [here](#).*

## **Osirium Technologies plc (OSI.L, 159p/£16.5m)**

### **Contract renewals: Reassuring proof points (09.10.17)**

- Contract renewals with two Tier 1 customers - a leading telecommunications group and a global aerospace & defence company for 12 months and 24 months respectively. Osirium will provide its full PxM product offering of Privileged Account Management, Privileged Task Management and Privileged Session Management modules and associated consultancy services.

**Allenby Capital comment:** Although Osirium's core target market is medium sized enterprises, the renewals with two Tier 1 customers remain reassuring proof points as the company looks to ramp up its direct and indirect sales and marketing activities. The market for Privileged Access Management software represents a subsector of the much larger cyber security market but is gaining momentum (Gartner is forecasting a 27% CAGR to \$2.2bn in 2020) as companies look secure their IT assets against attack. By targeting privileged access users, attackers are able to gain access to the widest range of IT systems (applications, databases etc). Company is still at an early stage (H1 bookings were £445k) but management has a proven track record in building sales organisations.

## **1Spatial plc (SPA.L, 3.55p/£25.3m)**

### **Interims: Signs of improvement (10.10.17)**

- Revenue +2% to £12.1m but within this underlying Geospatial revenues increased 19% to £8.6m whereas low margin hardware revenue (Enables IT) dropped by £1m. Total cost base (including capitalised costs) reduced 8% (£1.1m) and, coupled with improved gross margin (43% versus 39%), this resulted in a £0.7m positive swing in adj. EBITDA to £0.3m. Net cash of £0.3m (FY17: £0.6m) plus overdraft facility of £3m and management believes this is sufficient for current working capital needs.
- Customer wins in H1 included Northern Gas Networks (UK), US Federal Highways Administration (\$540k) and National Oceanic and Atmospheric Administration (US) (\$207k). Focus on three sectors - Land Management, Utilities and Transportation.
- Disposal of significant share of loss-making Enables IT and acquisitions of the outstanding stakes in 1Spatial Inc (27%) and Sitemap (51%).
- Claire Milverton, acting CEO since December 2016 and previously CFO, appointed as CEO and Nicole Payne appointed as CFO, previously FD. Andy Roberts current Executive Chairman will revert to the role of Non-Executive Chairman from February 2018.

**Allenby Capital comment:** Good progress on the turnaround following the appointment a new management team in January and some welcome new customer wins for the provider of software and services for the management of geospatial data. 1Spatial has considerable expertise and pedigree in a field that will only grow in importance with technological developments such as driverless cars. Previous management undertook a misjudged M&A strategy that is now being reversed.

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