



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 - 30.10.17 (TEK.L, MWE.L, ZOO.L, BOOM.L, OSI.L)

Tekcapital plc (TEK.L, 30p/£12.8m)

Patent acquisition: Move into autonomous vehicles (30.10.17)

- Tekcapital has acquired exclusively licensed US Patent #9,429,943 from Florida Agricultural and Mechanical University through its wholly-owned portfolio company, Guident Ltd.
- The patent has the potential to enable the development of software apps for controlling autonomous vehicles using artificial intelligence. The global Autonomous Vehicles market is expected to grow at a CAGR of c. 40% over the next ten years to \$126.8bn by 2027.
- Guident was established to exclusively license and commercialise new technology to enhance the utility, safety and enjoyment of autonomous vehicles and drones.

Allenby Capital comment: Tekcapital has developed an innovative global university intellectual property (IP) investment and commercialisation model. This aims to reduce the risk of adverse investment selection through the combination of a proprietary discovery search engine, a global network of universities, a panel of scientific experts, a low cost of acquisition of IP licences and faster value realisation. Autonomous vehicles represent a substantial growth market and this IP has interesting potential to improve autonomous vehicle utility.

Allenby Capital acts as Nomad and Broker to Tekcapital.

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

MTI Wireless Edge Ltd (MWE.L, 25.75p/£13.8m)

Q3 update: Higher costs impact FY17 profits (25.10.17)

Allenby Capital comment: Higher than expected costs were incurred during Q3 in relation to a military antenna project. As a result, although management believes the project will ultimately be profitable, the Antenna division has made a loss in Q3. This shortfall will not be fully made up in Q4 and hence FY17 profit is expected to be lower than our previous forecasts. The Water Solutions division (Mottech) continues to perform well with strong operating margins and MWE was profitable in Q3 on a consolidated basis. The higher than expected costs appear to be one-off in nature and we leave our FY18 forecasts unchanged at the top and bottom line but reduce our FY17 PBT by \$0.4m to \$1.5m – FY17 revenue is unchanged at \$25.8m, representing 10.7% growth. The outlook is generally positive with increased demand across the Antenna division's target markets and in multiple geographies for Mottech's remote control solutions for water and irrigation applications based on Motorola's IRRInet suite of control, monitoring and communications products. Our fair value of 38.0p, equivalent to a FY18 PER of 15.2x FY18 (12.3x excluding cash), remains unchanged. On the basis of the current price, the shares are yielding 3.3% in FY17 and FY18.

*Allenby Capital acts as Nomad and Broker to MTI Wireless Edge.
Allenby Capital's research on MTI Wireless Edge is available [here](#).*

ZOO Digital plc (ZOO.L, 60.5p/£44.5m)

Capital Markets Event: Dubbing offers considerable growth (25.10.17)

- Capital Markets Event running through the business, the scale of the localisation market, the technology platform and the new ZOOdubs product that adds dubbing to its existing subtitles service offering.
- The MESA Europe industry group estimates that the EMEA localisation market was worth \$2bn in 2016 and is expected to grow at >10% per annum. Dubbing represents the largest proportion (70%) with others (including subtitle, access services and video localisation) accounting for the balance. Demand is being driven by the explosion in TV channels and new distribution platforms as well as the expectations of audiences for more than just subtitles and the need for localised content.
- ZOO has approached the market from a software rather than a pure services perspective with the core cloud-based workflow engine supported by a number of affiliated partners and a network of more than 3,000 translators. This provides much greater scalability and the scope for operational gearing.
- ZOOdubs was launched at April's NAB trade show in Las Vegas, securing the TV Technology 'Best in Show' award, and an IABM award for Design and Innovation at IBC in Amsterdam. ZOOdubs forms part of the existing ZOO localisation ecosystem but offers much higher revenues per minute. Management believes it offers clients a 10-15% saving over existing dubbing services.
- In September's AGM statement, the company reported that sales of subtitling services had more than doubled year-on-year YTD and was the principal reason that H1 revenue will be >\$12m and FY18 revenue would be well ahead of the board's previous expectations. Subtitling offers a lower margin, however, and when combined with ongoing investment, FY18 EBITDA expectations (\$1.5m) remain unchanged.

Allenby Capital comment: ZOO Digital has undergone something of a transformation over the past couple of years. The growth of ZOOsubs has helped to reduce seasonality and client concentration, albeit with a hit to gross margin. April's £2.6m placing and the conversion of loan notes has also substantially improved the company's balance sheet. ZOOdubs has been well received and offers a substantial growth opportunity. Meanwhile the global localisation market continues to expand as content creators look to sell into more countries. ZOO Digital offers a more automated and scalable approach to localisation in a market that is historically fragmented. There are parallels to **Keywords Studios (KWS.L)** in the games sector (that made a substantial acquisition and associated fund raising last week) and ZOO's shares have enjoyed a major rerating over the past six months (+450%) and the shares are now trading on a FY18 EV/Sales rating of 2.7x and 28.4x EV/EBITDA. As such, considerable growth is factored into the share price.

AudioBoom plc (BOOM.L, 3.125p/£29.1m)

Head of UK Sales appointed (24.10.17)

- Appointment of Oli Walters as Head of UK Sales with immediate effect. Oli previously worked at Bauer Media, the multi-platform media and entertainment group, where he had a number of positions, most recently Group Head of Radio for Dentsu Aegis. This involved growing and maintaining commercial revenues from major advertising agencies such as Dentsu Aegis and Group M. Oli had previously managed some of Bauer's biggest direct brand partnerships including Wickes, Shop Direct and Three Mobile.
- Oli will be one of the panellists at AudioBoom's event this Thursday in the City: Why Audio is Vital for Brands in 2018. There will also be a live recording of The Totally Football Show podcast with James Richardson.

- Please get in contact if you would like to attend.

Allenby Capital acts as Nomad and Broker to Audioboom.

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

Osirium Technologies plc (OSI.L, 165p/£17.2m)

Contract win and renewals: Further commercial progress (25.10.17)

- Contract win with one of the world's largest insurance groups for an initial 12 months. Osirium will deliver a full PxM product offering comprising Privileged Account Management, Privileged Task Management and Privileged Session Management modules and associated consultancy services. This represents Osirium's first deployment in the insurance sector.
- Separately announced (20.10.17) contract renewals for 12 months with Thinkmoney, a UK-based banking services provider, and M-Netics, a mobile hardware technology reseller.

Allenby Capital comment: Osirium's main focus is the SME market via an indirect sales model but direct initial sales with larger companies provide a beachhead as it looks to 'land and expand' in particular verticals. The renewal of existing customers is also reassuring and demonstrates the value of its Privileged Account Management (PAM) software. The PAM software market represents a growing subsector of the much larger cyber security market - Gartner Group is forecasting a 27% CAGR to \$2.2bn in 2020. By targeting users with privileged account access, attackers are able to gain access to the widest range of IT systems. Osirium has developed the concept of a 'Virtual Air Gap' to separate users from passwords as well as the automation of repetitive tasks. Shares have recovered from their June lows and slightly ahead of April's IPO price. The quoted cyber-security remains tricky, in spite of the general growth trend. **Defenx (DFX.L)** was the latest to warn (25.10.17) with the company reporting the FY17 (December) results now expected to be materially below forecasts. This is a function of the slippage of a small number of high value contracts as well as delays to product updates and longer sales cycles.

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

Tel: 020-3394-2977

Email: d.johnson@allenbycapital.com

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Allenby Capital

5 St Helen's Place London EC3A 6AB

+44 (0)20 3328 5656

www.allenbycapital.com