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 - 06.11.17 (BOOM.L, SND.L, OSI.L)

AudioBoom plc (BOOM.L, 3.725p/£34.1m)
Broadcast event: Positive 2018 podcast outlook (02.11.17)

- Key points to emerge from the panel discussion at Thursday's Audioboom's event: 'Why Audio is Vital for Brands in 2018' included:
  - 5.5m people listen to podcasts in the UK and advertising money naturally follows audiences
  - advertisers have been struggling how to plan/measure campaigns, compared with the more sophisticated metrics available around display ads
  - belief that in 2018, podcasts in the UK will become viewed as just another format but for that to happen there needs to be a greater awareness within the UK advertising industry
  - expects a shift from promo codes to brand advertising as advertisers understand the value of a podcaster talking about a brand
  - further growth in branded content
  - US provides insight into the future of podcasting with larger brands getting involved and more complex advertising deals being struck
- The panel was followed by a live recording of *The Totally Football Show* podcast with Iain Macintosh. This is the team that was behind the *Guardian Football Weekly* that created an independent business, Muddy Knees Media, in July. In the eight weeks since launch, the *Totally Football Show* and the *Totally Football League Show* have had 5.7m downloads.

Allenby Capital comment: As previously discussed (TMT Update - 23.10.17 here), podcasting's popularity continues to grow with listeners, advertisers/agencies and investors - the last three months have been notable for a number of fundraisings. The US podcast advertising market, the largest and most mature, is expected to be worth $220m this year, up 85% (Source: PwC). This reflects the combination of a number of factors - recognition about the high levels of engagement offered by the format; access to an attractive advertising demographic; increasing frustration with traditional digital advertising; the popularity of audio-only devices (such as Amazon's Echo and Google's Home voice assistants) and the availability of better performance data. AudioBoom has built a large network of third party properties and has developed several of its own successful properties that generate higher margin revenue. It can offer podcasters a comprehensive service (create, edit, upload, store, syndicate, broadcast, cross-promote and monetise).

Allenby Capital acts as Nomad and Broker to Audioboom.
Allenby Capital's research on Audioboom is available here.

Sanderson plc (SND.L, 69.5p/£38.3m)
FY pre-close: Solid and continues to be cautious (30.10.17)

- FY17 (Sept) revenue up <1% to £21.5m, suggesting a slowdown in revenue in H2 over H1 as well as a slowdown in H2 over H2 FY16. Sales order intake totalled £13.7m (FY16: £12.3m) and the order book stood at £5.8m (FY16: £3.0m). Pre-contracted recurring revenue increased to more than £11m (FY16: £10.8m) to represent >50% revenue.
- **Digital Retail** achieved double digit growth with Richer Sounds implemented during FY17 and a large pilot scheme underway with a global fashion brand, following an initial order >£200k.
- **Enterprise Division** described as solid but while sales prospects are good, cycle remain extended. A large FY16 order with DPD Logistics was delivered in FY17 by the Manufacturing business. The Enterprise business has good sales prospects but timing is unpredictable.
- Gross margin was maintained at 82%. Adj. operating profit +5.7% to £3.9m. Non-recurring items totalled £0.5m but these were mitigated by the receipt of a licence fee from a former customer that was in dispute. Cash at >£6m (FY16: £4.3m) is well ahead of expectation but there is still the issue of the defined benefit pension liability, standing at £8.1m at H1.
- **Outlook:** Management remains fairly cautious but has not yet detected any major loss of confidence from existing or prospective customers. It will continue to look at acquisitions.

Allenby Capital comment: H2 performance somewhat underwhelming although the growth in sales order intake and order book provide some cause for optimism. Revenue visibility has also improved with higher pre-contracted recurring revenue. In order to achieve the three year plan (£30m in revenue in FY18, a profit of £4-5m and EPS growth >50%), acquisitions need to feature but sector valuations are generally quite full, management is value conscious and there is the ongoing issue around the defined benefit scheme. The current rating FY17 of 13.4x, falling to 12.4x in FY18, looks fair.

Osirium Technologies plc (OSI.L, 160p/£16.6m)
Contract win with PE firm (01.11.17)

- Contract secured with an unnamed European private equity firm for the provision of Osirium's full PxM offering of Privileged Account Management (PAM) and Privileged Task Management modules plus associated consultancy services. The contract will run over an initial twelve month term but no financial details were provided.
- Separately, **CyberArk (Nasdaq: CYBR)**, the leader in PAM, announced Q3 revenue +18% to $55.0m with licence revenue +7.5% to $35.8m and maintenance and professional services +33.6% to $29.0m. The company also provided FY guidance of revenue of $256.3m to $257.3m, up 18% to 19%. Adj. operating profit is expected to be in the range of $48.9m to $49.7m.

Allenby Capital comment: Contract win forms part of Osirium's 'land and expand' with direct sales secured with larger customers in a number of verticals before shifting to an indirect model targeting more of the mid market where the likes of CyberArk struggle to compete due to the complexity of their suite. The growth guidance at CyberArk fits with industry forecasts - Gartner Group is forecasting a 27% CAGR for the PAM subsector to $2.2bn in 2020 - and we believe it represents an interesting part of the wider cybersecurity sector.

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