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 - 20.11.17 (CPX.L, TEK.L, ADT.L, CTP.L)

CAP-XX Limited (CPX.L, 12.75p/£38m)
Spire launches Thinline enabled wearable (20.11.17)

- Spire, CAP-XX's first high volume customer for its 0.6mm-thin Thinline supercapacitors, has launched its supercapacitor enabled wearable device - the Spire Health Tag.
- The contract with Spire was originally announced in August, although the name of the customer was not identified. The initial order was for $0.4m with a follow-up order of more than $1.0m anticipated in the first half of 2018.

Allenby Capital comment: As noted in our note on the back of the prelims in October, 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. Meanwhile CPA-XX's range of cylindrical cell supercapacitors have been well received.

Allenby Capital acts as Nomad and Broker to CAP-XX Ltd.
Allenby Capital's research on CAP-XX Ltd is available here.

Tekcapital (TEK.L, 30p/£12.8m)
Belluscura Intention to Float announced (16.11.17)

- Belluscura has released Schedule 1 and Intention to Float announcements in connection with a proposed AIM IPO and placing of new ordinary shares. The IPO is expected to take place in December with Belluscura seeking to raise £7.5m to £10m.
- Tekcapital currently owns 47.5% of Belluscura, which at 31st May had a carrying value of $3.7m on Tekcapital's balance sheet.
- Belluscura has recently entered into a conditional agreement to acquire the licences to manufacture and sell STIC, a handheld pressure monitor for the measurement of compartment pressure, from Stryker Corporation. STIC is a standard of care product line that has generated average annual revenue of c. $4m over the last few years.
- Belluscura has previously acquired licences to manufacture and sell four medical device product lines from Stryker (SNAPII, Passport, Slyde and Wire Caddy) and entered into a co-exclusive licence and development agreement with Separation Design Group to complete the development of CURV, a portable oxygen concentrator.

Allenby Capital comment: Belluscura was established in December 2015 by Tekcapital to provide premium proprietary medical devices at affordable prices by acquiring exclusive licences, then manufacturing and selling devices deemed to be non-core or undervalued by major medical device companies. The initial product portfolio from Stryker is protected by an IP portfolio of 19 issued and pending patents and industrial designs. In May, Belluscura raised c. $1.7m through a Private Placement at a post-money valuation of c. $7.6m, representing a c. $2m uplift from the October 2016 fundraising. This resulted in an $2.9m unrealised gain on revaluation of Tekcapital's investment in H1. Although the market capitalisation of Belluscura has yet to be determined, any uplift on $7.6m would result in a further gain for Tekcapital.

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Allenby Capital's research on Tekcapital is available here.

AdEPT Telecom Plc (ADT.L, 290p/£65.3m)
Interims: Significant transition to Managed Services (15.11.17)

- H1 FY18 revenue increased 36% to £22.6m that included a six month contribution from OurIT Department and two months from Atomwide. Revenue was flat on an organic basis with a 7% growth in Managed Services balanced by a 7% decline in Fixed Line revenue. Run rate revenue at the end of H1 was £48.1m with an EBITDA of £10.5m.
- Ongoing shift in business to Managed Services - 68% of total revenue at the end of H1, compared with H1 FY17 amd 27% in FY15 - as AdEPT has made acquisitions and grown organically and Fixed Line continues its structural decline. Managed Services revenue increased 75% to £15.3m.
- Further success in building its presence in Public Sector & Healthcare that represented 39% of run rate revenue at H1 (>100 councils, 15 universities, 15 NHS Trusts, 70% of private hospitals in London and >3,000 schools with >2m users following the Atomwide acquisition).
- Atomwide, completed in August, is the largest specialist supplier of IT for Education. AdEPT now has >1m Office 365 users, one of the world's largest single deployments. It also gained two on-premise data centres and a well-established in-house app development team and suite of apps. The acquisition was structured with a £12m initial consideration and earnout of up to £8m, depending on gross profit growth.
- EBITDA increased 34% to £4.7m with a margin of 21.0% (H1 FY17: 21.4%; FY17: 22.7%). The five businesses have EBITDA margins between 19% and 23%. Movement in gross margin (H1 FY18: 46.4%; H1 FY17: 40.5%; FY17: 42.3%) reflects the shift to Managed Services with a larger operating cost base.
- Net senior debt of £20.8m (H1 FY17: £10.8m) following the Atomwide initial consideration, Comms and CAT Communications deferred considerations and £0.9m in dividends. 13% increase in the interim dividend. Dividend cover at H1 was 3.1x (H1 FY17: 3.0x).

Allenby Capital comment: Ongoing transition to Managed Services as the lines become more blurred between telecoms, unified comms and IT. The company has been busy over the past 18 months with three acquisitions, a new £30m banking facility and the BGF funding. The acquisitions remain geographically focused in London/the South East and there is the opportunity for synergies between the five businesses. The Atomwide acquisition was substantial and there is some business concentration around the London Grid for Learning though Atomwide is heavily embedded with the customer. The scale of its operations should enable AdEPT to pitch for larger managed services business in the Public Sector. Management remains comfortable running significant levels of debt given the highly cash generative nature of the business and capex light model. Factoring in the deferred considerations, there is still scope for further acquisitions though they will need to be larger to have a meaningful impact on EBITDA. Shares weakened somewhat and are back to the levels of February. The

PER rating of 11.5x FY18 and 10.6x FY19 is not particularly demanding against the peer group but the inclusion of the debt results in an EV/EBITDA of 10.0x (FY18) and 9.2x (FY19).

Castleton Technology plc (CTP.L, 63.5p/£50.0m)
Interims: Farming the base (14.11.17)

- Meeting with management on the back of the recent interims (07.11.17) of the provider of software and managed services to the public and not-for-profit sectors and associated service providers.
- H1 revenue increased 10.9% to £10.8m, with 63% recurring. Managed Services increased 7% to £5.0m and Software by 14% to £5.8m.
- Adj. EBITDA +11.5% to £2.3m. Cash flow from operations of £2.3m (cash conversion of 103%) and net debt (including contingent and deferred consideration and interest accrued on loan notes) reduced £1.8m to £8.0m at H1.
- The level of debt reflects the company's initial growth through acquisition (eight). CTP now has substantial market presence - it counts as customers 600 of the 700 Housing Associations (HAs) with more than 1,000 properties - as well as a range of software products and services. Most of customers are underpenetrated and the strategy is to sell in additional software and services. In H1, there were 37 new product sales to 21 existing customers and management has expanded the sales teams for software and managed services. It also provides software modules to some of its competitors.
- During H1, CTP delivered its new integrated suite to two customers. These represent important milestones as the market is conservative in its buying decisions. It also secured two new long-term contracts.

Allenby Capital comment: Good H1 performance with >10% organic revenue growth, four new housing wins and the delivery of the integrated solution to two customers. The subscription model and multi-year contracts provide good levels of revenue visibility. CTP has a substantial customer base but low penetration - 64% of its 735 customers take only one product. As a result, revenue growth is more likely to come from the base than new customers and in H1 existing customers took 64% of new product sales. Supplying competitors with software modules means CTP can generate revenue even where it loses the tender though one would hope that CTP can secure more tenders as the integrated system becomes more proven. Purchasing decisions tend to be long but CTP has a large base of customers to sell into and HAs are investing in IT to increase efficiency. Shares are trading on a 12.7x FY18 PER and 12.0x FY19. Factoring in the debt results in an FY18 EV/EBITDA of 11.4x and 10.0x FY19.

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