



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 - 27.11.17 (GFIN.L, CPX.L, NWT.L, ACC.L, NET.L, ECK.L)

Gfinity plc (GFIN.L, 27.25p/£59.5m)

Prelims (22.11.17) and board appointments (23.11.17): Transformational year

- Revenue +64% to £2.4m with the majority from partner programme events. There was no revenue associated with the Elite Series during FY17 (June). Cost of sales increased 73% to £2.8m and gross loss increased 153% to £0.4m with a substantial increase in H2 reflecting the ramp in costs ahead of Elite Series Season 1 that commenced in July. Operating loss +69% to £5.3m with a doubling of costs in H2 over H1 and FY17 costs increased 63% to £4.9m.
- Operating cash outflow of £5.4m (FY16: £2.5m) included a working capital outflow of £0.6m reflecting the timing of events towards the end of the year. There was also capex of £0.6m, primarily around the arena build. Year-end cash was £4.5m (FY16: £0.8m) and a further £7m was raised post period end.
- Elite Series Season One generated 186 hours of live broadcast content with four broadcast partners (BT Sport, BBC Three, Eleven Sports and Twitch/tv) and had a cumulative audience of more than 3m. Season Two commenced on October 6th and after seven weeks of the regular season, viewership totals 3.6m, up more than 40% on the equivalent point in Season One.
- Post period end, Gfinity became the eSports partner for Formula 1 for the inaugural Formula 1 eSports season. This included an online stage, a live semi-final at the Gfinity Arena and the live finals event at the final Formula 1 race in Abu Dhabi, that took place this weekend. Gfinity also secured its first overseas licensing deal (Australia) and acquired CEVO, the US based provider of technology and services to the eSports market.
- Appointment of Andy MacLeod, Garry Cook and Preeti Mardia as NEDs with Jon Varney, Phil Shuldham-Legh and David Yarnton stepping down. Paul Kent, an executive director, will also leave the board in order to take on additional operational responsibilities. MacLeod has extensive communications industry experience including Vodafone and Verizon. Cook has held senior positions in the sports industry (Manchester City Football Club, Nike's Brand Jordan and the Ultimate Fighting Championship) and Mardia has diverse operational management and commercial expertise across Electronics, Telecoms, Aerospace and FMCG sectors.

Allenby Capital comment: FY17 represented a transformational year for Gfinity with heavy investment in the run up to the start of the innovative Elite Series. During the year, Gfinity recruited, amongst others, a Chief Commercial Officer, a Chief Strategy Officer, a Global Head of Broadcast, a Chief Marketing Officer and a Chief Operations Officer. All have considerable expertise in monetising new content formats. The company has also invested in its arena facility and is generating broadcast quality content that has been taken up by a number of media companies. The metrics from Season One were positive and Gfinity has built on this success with Season Two. Meanwhile it has strengthened its position with both games publishers and major brands as the partner of choice for delivering eSports events and has expanded its capacity with the CEVO acquisition. The Formula 1

eSports has been a high-profile series and demonstrates the interest of traditional sports companies in capitalising on the growth of eSports and reaching out to its demographic. Gfinity is well positioned.

Allenby Capital acts as Nomad and Broker to Gfinity plc.

CAP-XX Limited (CPX.L, 11.625p/£34.6m)

AGM statement: Substantial growth in order book (23.11.17)

- 242% year on year growth in the order book reflecting the strong order intake for the Internet of Things (IoT) especially in the Wearables, Metering, Medical and Electronic Lock markets.
- Product sales revenue up 17% year to date, primarily a function of growth in IoT demand with year on year increases in Security, Electronic Locks, RFID, Wearables and Solid State Drives. The majority of the Spire wearable revenue will fall into H2.
- Royalty and licence revenue continue to grow and receipts from Murata have more than doubled year to date. Discussions with potential new licensees are ongoing.

Allenby Capital comment: CAP-XX has maintained the momentum of FY17 into FY18 with a substantial growth in the order book and growth in product sales (prismatic and cylindrical) and the outlook is positive. The existing licences have performed well with sharp growth in Murata royalty payments and numerous new licensing deals remain under negotiation. These would represent high margin upside to our current forecasts.

Allenby Capital acts as Nomad and Broker to CAP-XX Ltd.

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

Newmark Security (NWT.L, 1.2p/£5.6m)

Contract win: Further progress with terminal sales (27.11.17)

- Grosvenor Technology, NWT's security and attendance hardware and software provider, has won a contract with a leading European workforce management provider.
- Grosvenor will provide a Linux based OEM variant of its GT-10 workforce management terminal plus a range of cloud based support services on a SaaS basis. It will also provide an OEM variant of its Sateon Advance Access Control Hardware to work with the customer's existing software platform.
- Initial customer funded development work is worth €190k with revenues for the products and services expected to come on stream in Q2 2018. The contract is expected to be worth c. €3m over a five-year period (the initial term of the contract).

Allenby Capital comment: Contract announcement follows the win for Grosvenor's IT51 terminal a couple of weeks ago. Sateon Advance and the GT-10 terminal represent core areas of growth for Newmark and management reports ongoing discussions with a number of major Human Capital Management software providers.

Allenby Capital acts as Nomad and Broker to Newmark Security plc.

Access Intelligence (ACC.L, 3.625p/£12.6m)

Trading update: Positive Vuelio growth metrics (20.11.17)

- Vuelio, ACC's new integrated communications SaaS-based platform, has increased net annual contract value over the last five months by £450k, including £130k in October. This compares with an increase in net annual contract value of £0.2m in H1.
- New customers signed in the period include Dyson, Thomson Reuters, BMW, Costa, S4C, Sellafield and Lloyds. Further penetration in the Public Sector and Vuelio's customer base that includes almost half of the UK's local councils and universities and more than 85% of the UK's police authorities.

Allenby Capital comment: Access Intelligence has focused all of its efforts on the Vuelio, its corporate communications and reputation management software platform that integrates media relations, public affairs, social media and broader stakeholder engagement. It has disposed of a number of non-core business and invested £0.9m in the development of Vuelio in H1 to deliver an integrated, single-platform offering for both PR and public affairs professionals. ACC has also migrated the c. 1,200 customers acquired as part of the asset purchase of Cision UK and Vocus UK in June 2015. The trading update demonstrates that the business is gaining traction, securing new Private Sector customers as well as increasing its market share in the Public Sector.

Allenby Capital acts as Nomad and Broker to Access Intelligence

Netcall Plc (NET.L, 47p/£67.8m)

AGM statement: First MatsSoft cross sell (23.11.17)

- Management reported robust trading in the first few months of FY18 with demand for both the Liberty customer engagement software and the recently acquired MatsSoft low-code software development platform where non-developers are able to build apps through drag and drop functionality.
- Integration of MatsSoft is progressing well and NET has won its first cross-sell contract with MatsSoft into an existing NET customer. MatsSoft has continued to secure new customers, including internationally.

Allenby Capital comment: The MatsSoft acquisition (August) is central to the Netcall investment case and the first cross sell is encouraging. The acquisition significantly diversified the Netcall business into a much broader interpretation of customer engagement and experience management. It also substantially emptied the balance sheet with the initial cash consideration being funded out of existing resources and a new £7m loan note. The low-code development market is scheduled substantial growth (£15.5bn in 2020 - Forrester) and MatsSoft was the only UK vendor to feature on Forrester's landscape. The enlarged business has >700 customers and this represents a considerable cross-sell/upsell opportunity. Meanwhile the ongoing shift to cloud is increasing revenue visibility in the Liberty business.

Eckoh plc (ECK.L, 51p/£128.5m)

Interims: US driving business (22.11.17)

- H1 revenue +10% to £14.8m with recurring revenue increasing to 78% (H1 FY17: 76%). Gross profit +25% to £11.0m and adj. EBIT +66% to £2.0m. Net cash of £1.7m.
- **US** - revenue +36% to £5.4m to represent 37% of the total with seven contracts secured with a total contract value of \$5.1m (H1 FY17: three contracts and \$2.7m). All were on the opex model. Order book for US payment revenue increased to \$9.3m (FY17: \$6.5m). Excluding discontinued Professional Services division, US revenue increased 58%.
- Competitive environment in the US remains benign but there is still the need for market education around PCI DSS compliance and the contract process remains protracted as many companies have not purchased

PCI products before. There is also scope to deploy Eckoh's product to tokenise of other sensitive information (e.g. for GDPR).

- **UK** - H1 revenue -1% to £9.4m but GM improved 3% to 84% and recurring revenue grew to 89% (H1 FY17: 85%). Restructured UK sales team is focused on larger tenders, channel partners and strategic partners. As a result, management reports a strong H2 pipeline. Meanwhile the indirect channel is performing better (BT, Capita, Teleperformance and allpay).
- **Outlook** -trading in line with expectations (revenue of £29.1m, EBITDA £5.8m, EPS 1.5p).

Allenby Capital comment: H1's trading was flagged in October's trading update with growth coming from the US. The US addressable market is large (c. 14,000 contact centres with 50+ seats compared with 2,500 in the UK) and the US accounted for the majority of data breaches. In particular, Card Not Present fraud has been growing rapidly as fraudsters shift attacks to the point of least resistance. PCI DSS regulation should act as a further spur to the adoption of products/services from the likes of Eckoh, Semafone and **PCI-PAL (PCIP.L)**. The competitive environment remains benign but the sales/contract cycle is somewhat extended.

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