



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 - 18.12.17 (BOOM.L, GFIN.L, FBT.L)

AudioBoom plc (BOOM.L, 3.325p/£30.9m)

Pre-close update: Strong growth but some slippage into FY18 (18.12.17)

- FY17 (Nov) revenue expected to have increased >250% to £4.8m but light against ACLe forecasts of £5.4m as some campaigns and bookings expected in Q4 has slipped into Q1 FY18. As a result, advanced bookings are ahead of management expectation and we leave revenue forecasts (£15.0m) unchanged.
- Adj. LBITDA at £4.3m was better than forecast (£4.5m) but there were £0.2m one-off transactional and legal costs on top of this. Year end cash was £0.7m with additional available facilities of £0.75m (ACLe: £1.5m) with some expansion in working capital that should reverse in Q1.
- FY17 KPIs were positive with Unique file requests (UFR) +61.9% to 696m and available advertising impressions +739.7% to 2.0bn. Monthly unique users in November 2017 increased 50.8% to 89.1m and content channels were up 30.4% to 12,426, despite the introduction of a subscription service and the reduction in the number of less popular podcasts.
- FY17 saw the securing of a number of podcasts that generate >1m impressions per month as well as the launch of the AudioBoom Originals where BOOM generates its own IP that offers higher gross margins.
- Audioboom studios produced 10 'owned and operated' shows in FY17 across a number of genres and creating >2m available 'in-read' advertising impressions per month and accounted for c. 5% of group revenue. A further 15 are planned for FY18. The studios will develop content for platforms such as Spotify, podcast networks and brands as well as working as the production partner of CastBox.

Allenby Capital comment: Impressive growth across multiple KPIs as Audioboom has moved from a free-to-use product to a subscription and advertising supported platform. It has focused on high performing content and reduced the number of smaller, uneconomical podcasts. It has secured a number of large podcasts and is developing a slate of 'owned and operated' titles that offer much more favourable revenue share terms. That said, the unexpected postponement of certain campaigns in Q4 meant that BOOM was £0.6m light against our forecasts. On the plus side, BOOM enters FY18 with advanced bookings ahead of expectation. As a result, P&L forecasts remain unchanged although cash forecasts are reduced to reflect the FY17 outturn. As previously discussed, 2017 has seen huge growth in podcasting (audience numbers, volume of content, investment and M&A, advertiser participation etc) and we expect further rapid expansion in 2018 partly driven by the popularity of smart speakers.

Allenby Capital acts as Nomad and Broker to Audioboom plc.

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

Gfinity (GFIN.L, 23.75p/£51.3m)

Strengthened partnership with Microsoft (15.12.17); Fnatic joins Elite (18.12.17)

- Gfinity has been appointed as a preferred event partner to Microsoft for the forthcoming 'Halo World Championship 2018'. This follows Gfinity's successful hosting of Halo Championship Series tournament in Autumn 2017 and other Microsoft titles (Forza Racing Championship and Gears of War).
- HWC18 will include four weekly tournaments, starting late January, that will be broadcast live from the Gfinity Esports Arena. The season will include a three-day EU Open LAN event with a prize pool of \$25k.
- Separately, Gfinity announced that Fnatic, one of the leading franchises in global eSports with total winnings >\$8m, is to join the Elite Series as the part of the expansion of the series from eight to 10 teams from season three that takes place from March with a >£250k prize pool.

Allenby Capital comment: Gfinity has proven to games publishers, such as Microsoft, that it is able to organise, host and broadcast successful eSports events both at the Gfinity Arena and beyond. This represents an important revenue stream as the Elite Series moves forwards in its own commercialisation. eSports represents an important area of investment for publishers as events can help drive unit sales and publishers still represent the largest source of revenue for the sector. At the same time, there is a realisation that specialists, such as Gfinity, are best placed to run such events. The inclusion of Fnatic, that enjoys a considerable following, represents a major endorsement of the innovative tournament.

Allenby Capital acts as Nomad and Broker to Gfinity plc.

Forbidden Technologies plc (FBT.L, 4.375p/£7.9m)

Trading update: Priorities of the new CEO (13.12.17)

- FY17 revenue expected to be below FY16 (£0.8m) reflecting significant management changes and longer infrastructure sales cycles. Cash at H1 was £2.8m, following a cash outflow of £0.9m during the year.
- In the past few months, a number of new proof of concepts (PoC) have been signed. Unfortunately, the extended PoC announced in April has come to an end as the workflow that the PoC had envisaged was not adopted.
- Strategy reviewed under new CEO Ian McDonough with priorities including a focus on FBT's core patented video codec technology; direct engagement with existing customers in North America and the UK; implementing and progressing PoCs in line with the new strategy; and replacing most of the sales and marketing team.

Allenby Capital comment: Ian McDonough has reviewed FBT's operations and set out a number of priorities since joining as CEO in September. The Blackbird high-performance video codec technology that sits behind the Forscene cloud-based editing software has been moved centre stage. The technology can help media owners increase speed to market, reduce hardware footprint, provide better content visibility and aid distribution. Integrating Blackbird into the media supply chain should result in larger deal sizes but sales cycles are longer. The decision not to proceed on the PoC announced in April is obviously disappointing as well as the need to overhaul the sales and marketing team. That said, there are a number of PoCs signed and a new Sales Director has joined and a new Marketing Manager engaged. FBT has a good core base of customers and proven technology but has yet to gain real commercial traction.

Allenby Capital acts as Nomad and Broker to Forbidden Technologies plc.

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