



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. The cost of Allenby Capital's research on individual clients is paid for by our research clients.

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TMT UPDATE - 02.01.18 (CCT.L, GFIN.L, MIRA.L)

The Character Group plc (CCT.L, 445p/£94.1m)

Note published: Product strength in the face of retail challenge (19.12.17)

- Toys R Us in the UK agreed a rescue plan with creditors (21.12.17) that will see it closing 26 of its 105 UK outlets in 2018. There was a risk that the company would enter administration before Xmas without resolution of the pension deficit issue. Globally, Toys R Us accounts for c. 8% of CCT revenue.

Allenby Capital comment: The Character Group (CCT.L), the UK's leading independent toy company, enters 2018 with what management believes is its strongest ever product line up with a balance between its ‘ever-green’ brands (including *Peppa Pig*, *Little Live Pets*, *Scooby Doo* and *Stretch Armstrong*) and new products, some developed in-house. On top of this, there is considerable potential from *Pokémon*, scheduled for launch next summer. This portfolio strength combined with management’s considerable expertise are key as Character Group contends with a difficult retail environment, typified by the Chapter 11 of Toys R US in North America and proposed store closures in the UK. As a result, management expects revenue will drop in H1 before returning to growth in H2. We believe that CCT is better placed to weather the retail storm than its larger rivals (Hasbro, Mattel and Lego) as it offers price competitive products and its products are not aligned to any particular film franchises. It also has a strong balance sheet with substantial unutilised working capital facilities. Forecasts and fair value of 580p per share, equivalent to a FY18 PER of 13.9x and 4.0x yield remain unchanged.

Allenby Capital acts as Broker to The Character Group plc.

Allenby Capital's research on The Character Group is available [here](#).

Gfinity (GFIN.L, 23.5p/£51.3m)

Final Elite team announced (21.12.17)

- Team Vitality, a leading French eSports franchise and current reigning EA Sports FIFA Ultimate Team World Champions, announced as the final team to join the Elite Series as part of the expansion of the series from eight to ten teams from season three that takes place from March with a >£250k prize pool.
- Team Vitality currently has teams competing across a series of games including: first-person shooters (Call of Duty, Halo and Rainbow Six Siege); football simulation (FIFA 18); and multiplayer online battle arena (League of Legends).

- Season III will see FIFA 18 replace CS:GO as one of the three games played over the season (06.12.17). Elite Series will also become an accredited official FIFA 18 Global Series qualifier.

Allenby Capital comment: Gfinity has strengthened the roster of teams for Elite Series Season III with the inclusion of Team Vitality and Fnatic (18.12.17). These teams already enjoy considerable followings across global tournaments in their own rights and their addition represents a major endorsement of Gfinity's innovative tournament. This should help to drive audience numbers and make the Elite Series more attractive to potential advertisers and sponsors.

Allenby Capital acts as Nomad and Joint Broker to Gfinity plc

Mirada plc (MIRA.L, 0.75p/£1.0m)

Note published: Diversification ongoing; balance sheet stretched (21.12.17)

Allenby Capital comment: Mirada is diversifying its business with both new customers secured and a shift to the SaaS revenue model that provides longer term revenue streams. Meanwhile, Televisa continues to deploy Mirada's Iris multi-screen system – a programme that will run for several years. Traditional operators need to upgrade the viewing experience they can offer their subscribers given the multiple threats (OTT services, cord-cutting/shaving etc) and Iris offers the necessary functionality. Looking forward, management reports a healthy sales pipeline with several opportunities where it has already been shortlisted. That said, the slowdown in the Televisa deployment, the investment in sales and marketing and the working capital implications of the SaaS model have all added to Mirada's debt burden. Televisa has been willing to make advance payments, reflecting Mirada's role as a strategic supplier; its debt providers also remain supportive; and its largest shareholders have provided additional support with facilities of up to £1.7m. This provides some grounds for optimism going forward. Forecasts remain under review.

Allenby Capital acts as Nomad and Broker to Mirada plc.

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

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