



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 - 22.01.18 (CCT.L, GFIN.L, TEK.L, CALL.L)

The Character Group plc* (CCT.L, 437p/£92.5m)

Trading update: FY18 starts on track (19.01.18)

[Note published](#)

Allenby Capital comment: Pre-AGM trading update confirms that FY18 continues in line with management expectation and fits with October’s update and December’s prelims. Trading in the first four months, including the crucial Christmas period, saw growth in domestic sales whilst international was down, impacted by several factors including the financing travails of Toys R Us in North America. As a result, H1 FY18 overall is expected to be down on H1 FY17 but H2 will return to growth and this will continue in FY19. 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 Joint Broker to The Character Group plc
Allenby Capital’s research on The Character Group plc is available [here](#)*

Gfinity plc* (GFIN.L, 24p/£52.4m)

ARES joins Elite Series (19.01.18)

- Team Alpha Republic of Esport (ARES), a Paris-based esports franchise, has acquired a place on the roster for Season III of the Gfinity Elite Series, that is due to start in March.
- ARES is supported by a variety of well known athletes, including a host of professional footballers such as James Rodriguez (Bayern Munich and Colombia), Yannick Carrasco (Athletico Madrid and Belgium) and Moussa Sissoko (Tottenham Hotspur). ARES hosts its own competitions to identify and transition the best amateur playing talent to its professional team - similar to Gfinity's Challenger Series.
- ARES replaces Team Endpoint that did not to renew its place in the now ten team Elite Series roster.

Allenby Capital comment: ARES represents another high profile addition to the Elite Series following the recruitment of Team Vitality and Team Fnatic at the end of last year. These teams already enjoy considerable followings across global tournaments in their own rights and their inclusion 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. 2018 has started brightly for the esports industry. The new Overwatch League commenced at the Blizzard Arena Los Angeles, the first major global city-based professional esports league, with more than 10m viewers over the inaugural four-day period and Toyota has just signed as a sponsor. On Saturday, the spring season of the League of Legends Championship Series North America started. The league has introduced a franchise system with several teams supported by established sports clubs these are being sponsored and partnered by both endemic and non-endemic brands as esports moves further into the mainstream.

** Allenby Capital acts as Nomad and Joint Broker to Gfinity plc*

Tekcapital plc* (TEK.L, 22.5p/£9.6m)

Lucyd achieves minimum funding (22.01.18)

- Lucyd pte ltd, a subsidiary of Lucyd ltd (a Tekcapital portfolio company), has sold \$1.5m of its tokens during its on-going token generation event ("TGE"). This represents the minimum level for it to proceed. The TGE will be completed by the end of February and Tekcapital will provide a further update on the full proceeds received.
- Lucyd was established in September 2017 in order to commercialise a portfolio of 13 optical technology patents exclusively licensed from the University of Central Florida, that are designed to enable ergonomic, augmented reality ("AR") 'smartglasses'.
- Strategic alliances have been formed with nine companies to develop AR and security software for the smartglasses.

Allenby Capital comment: Lucyd has licensed an interesting portfolio of optical technology patents around the development of AR glasses. Although the first generation of AR glasses saw limited uptake, most notably Google Glass, the technology offers significant potential for certain applications. Lucyd believes its IP portfolio can address many of the functional shortcomings of the first generation. Meanwhile token sales have represented a good source of funds for early stage companies since the interest in the blockchain and cryptocurrencies mushroomed in 2017. Lucyd is looking to raise up to \$10m and the proceeds of the token sale will not be dilutive to Tekcapital shareholders.

** Allenby Capital acts as Nomad and Joint Broker to Tekcapital plc*

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

CloudCall plc (CALL.L, 173p/£39.1m)

Trading update: FY in line with upgraded expectations (18.01.18)

- FY17 (Dec) performance in line with forecasts that were upgraded in September with revenue of c. £6.9m (+41%) with c. 87% of total revenue now recurring or repeat (+55%). Gross margin and operating expenditure are also expected to be in line with market expectations (consensus EBITDA loss of £1.8m).
- User numbers at year end of just over 23,500 (+45%) with 3,320 net additional users in H2.
- Available funds at year end of £6.7m, including £4.9m of cash following November's placing (£5.7m at 143.5p).
- CRM software provider Bullhorn continues to be the main source of revenue - both internally and Bullhorn's customers. In November, CALL launched an updated product for Bullhorn. CloudCall has also launched its integration with the Microsoft Dynamics CRM, the second largest CRM package with a user base of >5m.
- New functionality being developed on CloudCall's unified architecture include SMS and instant messaging services. These are expected to be launched over the coming months.

Allenby Capital comment: Good trading update with 41% revenue growth. Most importantly recurring or repeat revenue is growing faster than the reported top line, meaning that revenue visibility is increasing. The business was loss making in FY17 and is only expected to be EBITDA breakeven in FY18 but should have sufficient funding to develop additional modules and maintain sales and marketing spend around the products for the Bullhorn and Microsoft Dynamics CRM systems. Having previously offered integration to a broad range of CRMs, management has focused on a handful where it can gain better market penetration and the relationship with Bullhorn has proved very successful. The adoption of a platform architecture should make it easier to launch and maintain variants for different CRM systems going forward. Shares are trading on an FY18 EV/Sales of 4.1x which is not overly demanding given the level of revenue visibility.

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