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.

For the purpose of MIFID II, the content of the following email qualifies as "non-substantive material or services consisting of short term market commentary on the latest economic statistics or company results" and so can be treated as 'acceptable minor non-monetary benefits' and not as 'chargeable research' per the European Commission's Delegated Directive of 7.4.2016.

TMT UPDATE - 19.02.18 (MWE.L, GFIN.L, TEK.L, SND.L, VLTY.L)

MTI Wireless Edge Ltd* (MWE.L, 27p/£14.5m)
Finals: Note published (16.02.18)

Allenby Capital comment: MTI achieved good growth across both divisions and the proposed dividend and cash were both substantially ahead of forecast. FY17 results were slightly better than forecast that were trimmed on the back of October's trading update. Revenue increased 13% to $26.4m (ACLe: $25.8m) with Mottech wireless controllers +11% to $13.1m and Antenna +16% to $13.3m. Margins remained stable but a $0.3m positive swing in interest and the increased revenue resulted in PBT +35% to $1.6m (ACLe: $1.5m) and EPS +30% to 2.36 cents (1.65p). Operating cash flow continues to be good at $1.4m (FY16: $1.2m), equivalent to 89% conversion and net cash sits at $2.9m (FY16: $2.0m, ACLe: $2.0m). Shareholders' equity increased 6.3% to $20.1m. The proposed DPS of 2 cents (1.4p) is double FY16 and substantially ahead of forecast (0.8p). There is once again a scrip alternative. FY18 P&L forecasts remain unchanged with growth assumed across both divisions but DPS forecast is increased to 2.0 cents from 1.1 cents. We also introduce FY19 forecasts. A fair value of 38p, equivalent to an FY18 PER of 14.4x (12.3x excluding cash). On the basis of the current share price, the shares are offering yields of 5.5% per annum.

** Allenby Capital acts as Nomad and Broker to MTI Wireless Edge Ltd*
Allenby Capital's research on MTI Wireless Edge Ltd is available [here]

Gfinity plc* (GFIN.L, 19p/£42.1m)
UNILAD joins Elite Series team roster (13.02.18)

- UNILAD Esports has acquired a place to compete in the third season of the Gfinity Elite Series, taking place in March and April. UNILAD is a British media network that creates and licences original content. It was named the top Facebook page and online video channel in 2016 with 50m fans globally that viewed more than four billion pieces of content across its network - the largest social first publisher. As part of the agreement, UNILAD will host content from Season III across its multiple channels. It also has a proven esports team.
- UNILAD joins Fnatic, Envy, Team Vitality, ARES, Hashtag United and Nordavind as new participants in Season III where the roster has been expanded to ten teams from eight. They will compete over eight weeks on FIFA 18, Street Fighter V and Rocket League.

- Separately, Gfinity will operate the inaugural DiRT World Championships from February 19th in conjunciton with developer and publisher Codemasters and Motorsport Network. There will be six weekly qualifying rounds on PlayStation 4, Xbox and PC, followed by live streamed quarter and semi-finals before the final in May at the Speedmachine festival, that hosts the British round of the FIA World Rallycross Championship. Codemasters has worked with Gfinity on the successful F1 Esports Series.

Allenby Capital comment: The addition of UNILAD brings a team with an existing following as well as a content distribution agreement for Season III across its multiple channels. Meanwhile DiRT World Champsionships demonstrate the benefit of Gfinity's dual revenue strategy of developing its own events as well as providing third party services. Management has a proven track record of delivery and has worked with a number of the major publishers.

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

Tekcapital plc (TEK.L, 18.5p/£7.9m)
Belluscura funding (14.02.18)

- Private placement to raise c. $1.3m and the conversion of loans equal to c. $0.3m. The placement was priced at $0.18 (13p/share), giving Belluscura a post-money valuation of c. $3.7m. The placement will be extended for an additional 90 days to enable current shareholders and additional investors to participate.
- Tekcapital has invested $250,000 in the placement and converted loans of $210,090 into equity. It was also issued a three-year warrant to purchase 1.3m new shares at 13p/share. As a result, Tekcapital's current holding in Belluscura is now 39% from 48%.
- The proceeds will be used for further investment in Belluscura's products in development, specifically the CURV oxygen concentrator and Snap III level of consciousness monitor and for general working capital.

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. Belluscura had been exploring an IPO but terminated that process in December. The placing does represent a down round on last May's $1.7m that was priced at 51p/share, equivalent to a post-money valuation of c. $7.6m. This resulted in an $2.9m unrealised gain on revaluation in H1.

** Allenby Capital acts as Nomad and Joint Broker to Tekcapital plc*
Allenby Capital's research on Tekcapital plc is available here

Sanderson plc (SND.L, 87p/£51.6m)
AGM statement: Positive start to FY18 (15.02.18)

- Management expects FY18 (September) revenue to be >£30m with a gross margin of c. 80%, 800 customers and 300 staff. Group revenue is up around a third including Anisa that was acquired in November. Organic growth was c. 5% and operating profit +10%.
- Like for like order book is >20% ahead of January 2017 including a large order that was secured in June 2017 and half has yet to be fulfilled.
- Anisa has performed in line with management expectations. Acquisition has helped with revenue visibility and pre-contracted recurring revenues now stand at c. 55% of total revenue. Anisa provides integrated SCM

and ERP software to c. 250 customers and also has a data centre. Anisa had FY16 revenue of £10m with 50% recurring revenue.
- Digital Retail businesses have grown >10% in revenue and operating profit. Sales cycles continue to be long but there are sufficient customer prospects and general activity remains good.
- Sales prospects at the Sanderson Enterprise businesses are well ahead but sales cycles remain protracted. New digital platform for the wholesale distribution market has been well received and prospects are ahead of expectation.

Allenby Capital comment: Detailed AGM statement on trading for the first four months of the year and the initial performance of Anisa since its acquisition. Management tends to be quite measured in their comments and the tone is definitely more positive than December's FY results. Anisa has increased the customer base, created a number of cross sell opportunities and also increased revenue visibility. The pension deficit at £6.2m has improved and the balance sheet is otherwise in good shape. Shares are trading on an FY18 PER of 13.6x and 12.6x FY19 and yielding 3.3% for FY18 having increased 13% since December.

Veltyco plc (VLTY.L, 85p/£63.0m)
Meeting with management: High margin growth but ongoing regulatory risk (14.02.18)

- Meeting with management on the back of the pre-close trading update (05.02.18) that stated that FY17 (December) performance has been significantly ahead of market expectations with net revenue +138% to >€14.5m and operating EBITDA +281% to >€8m.
- Business operates in the online gaming space (sportsbook and casino, lottery and trading) initially marketing third party services but has evolved with the addition of some of its own services through the acquisition of Bet90 and T4U and the potential acquisition of BTTY, a licensed sportsbook. Bolt on acquisitions will continue to feature to drive scale faster.
- Management expects to move the model ultimately to 50/50 gross profit split between direct and indirect business but there will not be a substantial increase in headcount. The company is notable for a headcount <10, resulting in an operating profit margin of 57% (H1) in spite of sales and marketing expenses equivalent to 25-30% of revenue.
- Took a minority stake in Esports Radar, the owner of the eSports.com domain name, last October. eSports.com is an online portal for eSports related industry news up to aggregation of information on eSports event scores and schedules. Partner with VLTY's Bet90.com to enable online gambling on the events.
- Moved into the crypto currency space with the acquisition of a 51% in Varkasso, that has the exclusive rights to use 8Crypt, a software platform providing crypto wallet solutions based on blockchain technology.

Allenby Capital comment: Online gaming continues to offer high margins and high levels of revenue growth but the risk of regulatory change remains a constant in the industry. Veltyco has an experienced management team and there is a growing balance between third party and direct business that should offer some diversification and reduces the reliance on Betsafe. The market is also highly fragmented and hence there is considerable scope for further acquisition and scale is important. Shares are trading on an FY18 PER of 11.2x.

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