



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 - 05.03.18 (ACC.L, TEK.L, CCT.L, GAN.L, TIDE.L)**

### **Access Intelligence plc\* (ACC.L, 4.1p/£16.1m)**

#### **Finals: Good Vuelio growth in H2 (02.03.18)**

- Restructuring completed in Q1 with a focus on the Vuelio reputation management platform for PR, public affairs and social engagement.
- New business sales increased from an average £65k per month at the end of FY16 to £160k per month from Q2 FY17 and customer retention now >80% from 56%. Annual Contract Value (ACV) increased £600k during H2 (£750k in FY17 in total), an annualised growth rate of c. 15%. This will flow into FY18. Total future contracted revenue +35% to £7.1m, a function of the growth in ACV plus multi-year contracts. ACC has 99% recurring revenue.
- New customers include Dyson, RAC, PZ Cussons, CPPIB, NICE, Greater Anglia, Highways England, Smith & Nephew and Deutsche Lufthansa. Positive start to FY18 with the prospect of GDPR regulation helping to drive interest.
- Operating cost base substantially reduced (annualised savings of £1.2m) and ACC started to generate cash from the end of FY17. Group revenue reduced 11% to £8.1m, as management exited non-profitable contracts and expected client churn. Adj. EBITDA loss increased to £1.4m (FY16: £0.4m). Operating costs were flat at £6.6m in spite of a £0.6m increase in R&D spend.
- Cash at year end of £0.7m, following a £1.0m placing and net debt of £2.7m. Post period end, all holders of its £2.35m loan notes to convert into equity. This has strengthened the balance sheet as well as saving £0.2m per annum in interest.

**Allenby Capital comment:** Access Intelligence has focused its business on the corporate communications and reputation software market with the disposal of a number of businesses and investment in the Vuelio platform over the past couple of years. The success of this strategy has started to come through in H2 with an acceleration in the rate of new business won. These contracts offer considerable revenue visibility going forward. This growth, coupled with cost reduction, resulted in cash generation at the end of FY17. The outlook is positive with the incoming GDPR regulation representing a specific catalyst and a more general interest in communications and reputation management.

*\* Allenby Capital acts as Nomad and Broker to Access Intelligence plc*

## **Tekcapital plc\* (TEK.L, 19.5p/£8.3m)**

### **Lucyd funding update: Successful blockchain token generation event (01.03.18)**

- Lucyd pte ltd, Tekcapital's subsidiary focused on augmented reality (AR) glasses, has received c. \$6.1m in contributions from its blockchain token generation event (TGE). TEK retains 100% equity ownership of Lucyd.
- Lucyd was established in September 2017 to develop ergonomic AR smartglasses and a blockchain app store to power them. It has formed strategic alliances with more than ten companies to develop associated AR and security software.

**Allenby Capital comment:** A successful TGE to help fund the development of Lucyd's AR glasses. Lucyd was formed to commercialise a portfolio of 13 optical technology patents exclusively licensed from the University of Central Florida. Although the first generation of AR glasses saw limited uptake, most notably Google Glass, the technology offers significant potential for certain applications and there are considerable levels of investment going into the space. Lucyd believes its portfolio of IP 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 interest mushroomed in the blockchain and cryptocurrencies. Crucially the proceeds of the token sale is not dilutive to Tekcapital shareholders.

*\* Allenby Capital acts as Nomad and Broker to Tekcapital plc  
Allenby Capital's research on Tekcapital plc is available [here](#)*

## **The Character Group plc\* (CCT.L, 465p/£98.3m)**

### **Toys R Us UK administration (28.02.18)**

- Toys R Us appointed Moorfields Advisory as administrators in the UK after failing to find new buyers for the business. Moorfields is now in the process of closing the chain's UK operations.
- The UK operation had previously agreed a rescue plan with creditors (21.12.17) whereby it was going to close 26 of its 105 UK outlets.
- No changes to forecasts.

**Allenby Capital comment:** The problems at Toys R Us in the US and UK have been well trailed over the past few months and CCT's management has been able to minimise its exposure. Although High Street retailers continue to battle with the threat posed by online retailers, we believe many of the problems at Toys R Us were specific to the company - its warehouse style operations fell out of favour with shoppers and it has struggled under the substantial levels of debt taken on by private equity owners. Although lower consumer confidence may result in some short term softness in spending, we do not anticipate a structural reduction in demand for toys, and the closure of Toys R Us will result in spending being spread over other retailers. As previously argued, CCT is better placed to weather retail headwinds than its larger rivals (Hasbro, Mattel and Lego) as it offers price competitive and its products are not aligned to any particular film franchises. It has built up a portfolio of 'ever-green' brands and new products, some developed in-house. No changes to our forecasts or fair value.

*\* Allenby Capital acts as Joint Broker to The Character Group plc  
Allenby Capital's research on The Character Group plc is available [here](#)*

## **GAN plc (GAN.L, 28p/£18.7m)**

### **Meeting with management: Simulated growth (01.03.18)**

- Meeting with management of the B2B supplier of Internet gaming enterprise SaaS to the US land-based casino industry, on the back of the recent trading statement (23.01) and Q4 KPIs (26.01).
- GAN has performed in line with management expectations during H2 in both its real money Regulated Gaming and Simulated Gaming activities due to the launch of several new clients, including winstar.com, a European casino run by the Chickasaw Nation, a major Native American US casino operator. The company reported its maiden positive EBITDA (£24k) on net revenue of £4.1m in H1.
- Regulated Gaming - Continued Net Revenue growth in Italy in H2 including a seasonally strong Q4. In New Jersey, GAN signed its second client - AC Ocean Walk LLC, the owner operator of Ocean Resort Casino (formerly TEN/Revel Casino) - for Internet casino and sports betting integrated with its on-property rewards programme. Parx Casino, an existing Simulated Gaming customer, is expected to offer Regulated Gaming following the regulation of Internet gaming in Pennsylvania last October, the fourth state to regulate.
- Simulated Gaming - trading benefited from several new US casino operators going live in 2017 including Ocean Resort Casino, WinStar World Casino, MGM's The Borgata, and Oneida Nation's Turning Stone and Station Casinos. GAN now operates Simulated Gaming for 12 US casinos and one Australian consortium.
- FY results are scheduled for March 29th.

**Allenby Capital comment:** Internet gambling has been much slower to come through than expected with only four states regulating since 2013. This was central to the initial GAN investment case but the company has successfully built up its Simulated Gaming business. This can be a prelude for Regulated Gaming - as in the case of Parx Casino - but Simulated Gaming represents an attractive revenue stream in its own right. It is an additional high margin revenue stream for casinos as there is no cash payout and consumers have demonstrated a willingness to use real cash to purchase virtual gambling chips. It can also be used to build up customer loyalty for physical gambling. Spending cash to purchase virtual chips that cannot be cashed out might seem illogical but we would draw the parallel to the various online games where consumers purchase virtual goods/skins etc. Potential investors may be put off by the current low share liquidity but GAN is trading at a substantial discount to other US-oriented SaaS players.

## **Crimson Tide plc (TIDE.L, 2.95p/£13.4m)**

### **Trading statement: FY17 in line, further investment in FY18 (27.02.18)**

- FY17 revenue expected to total £2.3m, up c. 23%. PBT is expected to be similar to FY16 (£0.4m) after headcount more than doubled over the past 18 months to address growing demand.
- Cash generation has been good and cash balances have been maintained (c. £750k) although £250k of debt on finances leases has been reduced and investment made in the Middle East, Northern Europe and the US.
- Investment programme is ongoing with the launch of the sensor-based variant, mpro5 IoT, scheduled for this quarter, and sale hires sought in the Public Sector, the North of the UK and Ireland.
- As a result, FY18 revenue growth is expected to be similar to FY17 before accelerating and PBT expected to be similar to FY17.

**Allenby Capital comment:** Measured organic growth strategy with increased gross profit being invested back into the company with a broader product set and greater sales and marketing reach. This is holding back profits in the short term (basically flat in FY16, FY17 and FY18) but the company should benefit from operational gearing thereafter. As a result, the shares do not look immediately cheap on a EV/EBITDA (15.6x FY17, 9.6x FY18) or PER basis (25.9x FY17, 13.0x FY18) but this self funding minimises dilution

## **DISCLAIMER**

This document is issued by Allenby Capital Limited (Incorporated in England No.6706681), which is authorised and regulated by the Financial Conduct Authority (“FCA”) for designated investment business, (Reg No. 489795) and is a member of the London Stock Exchange.

This document is for information only and should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It or any part of it do not form the basis of and should not be relied upon in connection with any contract. For the purposes of this communication you are a corporate finance contact of Allenby Capital and not a client. As a corporate finance contact Allenby Capital is not acting for you and will not be responsible for providing protections afforded to clients of the Firm or advice on the relevant transaction.

Allenby Capital Limited uses reasonable efforts to obtain information from sources which it believes to be reliable but the contents of this document have been prepared without any substantive analysis being undertaken into the companies concerned or their securities and it has not been independently verified. No representation or warranty, either express or implied, is made nor responsibility of any kind is accepted by Allenby Capital Limited, its directors or employees either as to the accuracy or completeness of any information stated in this document. This document is a marketing communication and has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Opinions expressed are our current opinions as of the date appearing on this material only. The information and opinions are provided for the benefit of Allenby Capital Limited clients as at the date of this document and are subject to change without notice. There is no regular update series for research issued by Allenby Capital Limited.

No personal recommendation is being made to you; the securities referred to may not be suitable for you and should not be relied upon in substitution for the exercise of independent judgement. Neither past performance nor forecasts are a reliable indication of future performance and investors may realise losses on any investments.

Allenby Capital Limited and any company or persons connected with it (including its officers, directors and employees) may have a position of holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such securities or instrument. Allenby Capital Limited may have been a manager in the underwriting or placement of securities to the issuers of securities mentioned in this document within the last 12 months, or have received compensation for investment banking services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment banking services from such companies within the next 3 months. Accordingly recipients of this document should not rely on this document being impartial and information may be known to Allenby Capital Limited or persons connected with it which is not reflected in this material. Allenby Capital Limited has a policy in relation to the management of the firm’s conflicts of interest which is available upon request.

Allenby Capital Limited shall not be liable for any direct or indirect damages, including lost profits arising in any way from the information contained in this material. This material is for the use of intended recipients only and only for distribution to professional and institutional investors, i.e. persons having professional experience in investments who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom (such persons who do not have professional experience in matters relating to investments should not rely on this material), or persons who have been categorised by Allenby

Capital Limited as Professional Clients or Eligible Counterparties. It is not intended for Retail Clients. Retail investors should seek professional, independent advice before investing.

This document is being supplied to you solely for your information and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose. The material in this document is not intended for distribution or use outside the European Economic Area except in the circumstances mentioned below to recipients in the United States. This material is not directed at you if Allenby Capital Limited is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you and persons into whose possession this material comes should inform themselves about, and observe, any such restrictions. The cost of Allenby Capital's research product on individual companies is paid for by our research clients.

Allenby Capital Limited may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US Institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country's laws for which Allenby Capital Limited does not accept responsibility.

By accepting this document you agree that you have read the above disclaimer and to be bound by the foregoing limitations / restrictions.

#### **RESEARCH RECOMMENDATION DISCLOSURE**

David Johnson is the author of this research recommendation. David is employed by Allenby Capital Limited as an Equity Analyst.

Tel: 020-3394-2977

Email: [d.johnson@allenbycapital.com](mailto:d.johnson@allenbycapital.com)

Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication.

\* denotes that Allenby Capital acts as an Adviser to the Company

Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at [www.allenbycapital.com](http://www.allenbycapital.com)

**Allenby Capital**

**5 St Helen's Place London EC3A 6AB**

**+44 (0)20 3328 5656**

[www.allenbycapital.com](http://www.allenbycapital.com)

---