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 - 12.03.18 (CPX.L, MIRA.L, NET.L)

CAP-XX plc* (CPX.L, 9p/£26.8m)
Note published: Interims: Steady growth in H1 (06.03.18)

Allenby Capital comment: CAP-XX has made further progress in H1 with its first volume Thinline design win, the roll out of the cylindrical can product range and first volume shipment, expansion of the sales pipeline and the addition of manufacturing capacity. Royalty revenue increased 43% to A$0.4m (with Murata +145%), product sales +9% and total revenue +15% to A$1.5m. Licensing negotiations with numerous parties across multiple sectors (including wearable, health, building management, automotive, security, metering and energy harvesting) are ongoing. While there have been some delays in finalising these agreements, management remains confident of securing licences in the next six months. Cost expansion was limited to product and business development and the EBITDA loss reduced A$0.2m to A$1.7m. Cash at H1 of A$1.5m was supplemented by the receipt of the A$1.6m R&D tax rebate in February. The company remains well funded to capitalise on the significant global growth opportunity as more industries embrace supercapacitors as a complement or replacement for batteries. Forecasts remain unchanged.

** Allenby Capital acts as Nomad and Broker to CAP-XX plc*
Allenby Capital's research on CAP-XX plc is available here

Mirada plc* (MIRA.L, 0.8p/£1.1m)
Interim funding: Further working capital to support deployments (07.03.18)

- Mirada has entered into a secured one-year loan facility for up to £3m that will be used, alongside existing facilities, for working capital, including the implementation of contracts announced in 2017.
- Facility comprises two tranches - £1.5m to be drawn down within two months and the balance to be drawn in minimum tranches of £100k.
- Secured by way of assignment of the receivables from its contract with ATN International, the facility bears an interest rate of 15% and the lender is Kaptungs, Mirada's largest shareholder (27%). There are discussions about further funding (either debt or equity) and Kaptungs had already been part of the group that provided a £1.7m facility last November.
- Deployments for ATNi in the Caribbean and Digital TV in Bolivia remain on track. In Mexico, the Izzi Telecom roll-out continues and management expects this to accelerate as Izzi deploys the Iris STB to a wider audience.

- These deployments have been structured on a SaaS basis and this provides greater revenue visibility going forward but has created the working capital need. Net debt at 28 February was $9.3m with available facilities of $1.6m. Management expects cashflow will improve going forward.

Allenby Capital comment: Short term working capital funding from Mirada's largest shareholder as the company continues to roll out its Iris STB at izzi Telecom, ATNi and Digital TV. These contracts have been structured with a subscription model with Mirada receiving a monthly payment for each STB deployed. This will create a highly visible revenue stream going forward and the total value per subscriber will ultimately exceed that of a traditional perpetual/up front model but there is a working capital requirement. The update on the three deployments is encouraging and management points to a strong sales pipeline as cable operators look to upgrade the user experience given the threat of 'cord-cutting' and 'cord-shaving'. The level of debt will deter many potential investors but Mirada's debt providers and largest shareholder have remained supportive.

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

Netcall plc (NET.L, 43.3p/£61.8m)
Interims: MatsSoft showing promise (07.08.18)

- Revenue +32% to £10.7m with recurring revenue accounting for 71% of the total (H1 FY17: 69%) and annualised recurring revenue +39% to £15.7m. Underlying organic revenue growth of 5%.
- Adj. EBITDA +22% to £2.7m but reported PBT fell 70% to £0.3m after acquisition expenses. Spending on R&D +42% to £1.4m of which capitalised software development spend was £0.8m (+22%).
- Net debt of £0.8m (H1 FY17: £14.6m) after the £11m cash consideration for MatsSoft, the low-code development platform, and dividend payments (£1.5m). There is a further performance related consideration of up to £2.3m in cash and 9.5m shares. Cash conversion was low at £0.3m (H1 FY17: £2.5m) as a result of unwinding of positive working capital timing differences combined with the consolidation of MatsSoft.
- Outlook - Management reports that H2 has started very well with significant low-code orders secured with new and existing customers across multiple verticals in both the public and private sector. Continued demand for its core customer engagement platform, Liberty.

Allenby Capital comment: Market has still to warm to last August's MatsSoft cloud-based low-code development software platform provider. Low-code development represents an interesting growth market where organisations are able to rapidly create and implement new applications - typically six to 20 times faster than traditional methods. MatsSoft was identified as a leader by industry analysts Forrester in its 2017 Low-Code Platforms for Business Developers report. First evidence of cross-selling MatsSoft into an existing Liberty customer and the acquisition has substantially expanded Netcall's addressable market. That said, the acquisition was not insignificant and coupled with an expansion in working capital, resulted in a £13.5m swing into net debt (£0.8m). This situation should improve in H2 although there is the potential further cash consideration further out. Shares are trading at 21.8x FY18 and 18.0x FY19 - not demanding if the company can demonstrate real traction with MatsSoft.

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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

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Allenby Capital

5 St Helen's Place London EC3A 6AB

+44 (0)20 3328 5656

www.allenbycapital.com