



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 - 08.05.18 (MBT.L, MWE.L, TEK.L, NWT.L)

Mobile Tornado plc* (MBT.L, 6.625p/£19.8m)

Prelims: Push the button (02.05.18)

Note published

Allenby Capital comment: Mobile Tornado (MBT.L) is a leading global provider of Push To Talk over Cellular (PoC) solutions. It has developed an enterprise-grade platform with a broad and deep set of instant communication applications with competitive advantages in availability, performance, capacity, functionality and price. MBT has established relationships with mobile network operators (MNOs) in multiple geographies and secured customers in numerous vertical sectors. Since the arrival of CEO Avi Tooba in May 2016, the company has undergone a substantial overhaul with heavy investment in its technical engineering resources to expand platform functionality and robustness as well as reducing deployment costs and times. Mobile Tornado has sold its software as a subscription to date. Going forward, the service will also be offered as a perpetual bundle with hardware. This should result in an acceleration in revenue while operational gearing will also contribute to MBT's expected move into profitability in FY19.

** Allenby Capital acts as Nomad and broker to Mobile Technology plc
Allenby Capital's coverage on Mobile Technology plc is available [here](#)*

MTI Wireless Edge plc* (MWE.L, 30.3p/£16.2m)

Merger agreement signed: Another step in the process (02.05.18)

- Merger agreement signed with MTI Computers & Software Services (1982) Ltd (MTIC), MWE's largest shareholder (53%) that is also listed on the Tel Aviv Stock Exchange (MTCO.TA). Under the terms of the agreement, MWE will allocate 31.6m new shares to the MTIC shareholders. In addition, MTIC's existing holdings in MWE will be transferred to the shareholders of MTIC.
- The merger is conditional, *inter alia*, on approval by the shareholders of both companies and the Israeli courts.
- The combined business should benefit from increased scale (adding c. 30% to revenue), a broader business base (MTIC is involved in the complementary markets of representation of international RF and Microwave Radio component and product manufacturers in the Israeli and Russian markets and System Engineering), the alignment of shareholder interests, cost synergies and increased liquidity.

- Two conditions precedent have been satisfied (08.05.18) with approvals for the merger from the financial creditors of MTI and MTIC and a pre-ruling received from the Israel Securities Authority (ISA) that it will not make a determination as to whether the Company will be required to publish a prospectus in Israel and not make a determination as to whether the Company will become subject to the Ongoing Reporting Obligations under the Israeli Securities Law following the merger.

Allenby Capital comment: Further to March's announcement that MTI Wireless was in merger discussions, the merger agreement represents another step towards the combination of MTI Wireless and its largest shareholder. The two companies already work closely together, operate from the same offices and share the same chairman and finance director. The proposed combination offers immediate cost savings as the shares of the merged company will be traded only on AIM. The combination will free up management time to focus on the development of the combined business. The two companies also operate in complementary markets. That said, there are still a number of steps in the process.

** Allenby Capital acts as Nomad and Broker to MTI Wireless Edge plc
Allenby Capital's coverage on MTI Wireless Edge plc is available [here](#)*

Tekcapital plc* (TEK.L, 18p/£7.7m)

Finals: FY17 benefits from Lucyd's successful Token Generation Event (02.05.18)

- FY17 (November) revenue saw a substantial increase to \$7.3m reflecting the unrealised profit on the revaluation of portfolio companies (\$6.1m), revenue from the provision of technology services (+24.6% to \$1.0m) and the profit on the derecognition of subsidiaries (\$0.2m). As a result, there was a \$6.7m positive swing in operating profit to a profit of \$4.2m. Net cash was \$1.8m (FY16: \$1.8m) following January's \$3.1m placing.
- The bulk of the unrealised profit related to the revaluation of Lucyd, its subsidiary focused on the development of augmented reality smartglasses, to \$6.0m (\$5.8m gain). Lucyd successfully completed a Token Generation Event that raised c. \$6.1m to fund the development of a prototype and a platform to commercialise them. Tekcapital retains 100% ownership of Lucyd.
- Belluscura's fair value increased by \$0.2m to \$1.0m with the \$2.9m unrealised gain in H1 following the c. \$1.7m private placement (post-money valuation of \$7.6m) partially offset by the \$1.3m placing in February 2018 that resulted in a \$3.7m post-money valuation and \$2.2m fair value reduction. Belluscura was unable to complete its 2017 IPO and acquisition of licences to manufacture the STIC from Stryker Corporation. There has been good progress with Belluscura's portable oxygen concentrator (POC) product development programme and management plans to file a 510(K) application with the US FDA in 2018.
- Salarius, that holds the patent for micro-salt, manufactured its first samples and had them independently tested for flavour and sodium content. TEK established Guident to that acquired and is seeking to commercialise patented technology in the autonomous vehicle market and eSoma (improving the accuracy of gesture recognition).
- Separately (08.05.18), the company announced that it will be delivering an advanced technology commercialisation and university start-up training programme in Santiago, Chile, in May 2018. The five-day programme will include participants from 13 Chilean research universities and two research institutions.

Allenby Capital comment: Lucyd's successful TGE was the standout feature for Tekcapital with \$6.1m raised to develop a prototype but without any dilution for TEK's equity holders. Growth in the services business is also encouraging with the expansion of Invention Evaluator into Latin America and two Fortune 50 companies secured for Vortechs search business and Invention Evaluator. The process of outlicensing its IP (Crackle-baked

and micro salt) is ongoing and in spite of their functional advantages it has been disappointingly slow. Meanwhile Belluscura's progress has been somewhat impacted by several financial setbacks. The revaluation of the portfolio companies around funding rounds continues to have a major impact on the P&L.

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

Newmark Security plc* (NWT.L, 0.875p/£4.1m) New Safetell supply agreement (30.04.18)

- Newmark's Safetell subsidiary has secured a new supply agreement for physical security equipment including time-delayed cash handling equipment and secure cash storage units for a major UK high street financial institution that has been a customer for more than 14 years.
- The agreement runs from April 2018 for a minimum five years and has options to extend up to 11 years in total. Although the company can't provide exact revenue expectations as the systems are bespoke, first year projections are for between £1m and £1.5m in product and installation revenue for Safetell.
- Safetell designs, manufactures, installs and provides maintenance for a range of bespoke physical security, counter-terror, and target hardening solutions. Products include security screens, doors and glazing, plus counterwork. Safetell also provides a range of time delayed cash recycling safes for the banking sector and other cash-in cash-out operations plus repair and maintenance services for third party products at high streets banks and the retail sector.

Allenby Capital comment: New supply agreement follows on from the one year extension (18.04.18) for service and maintenance support for 'Rising Screens' and the supply of new Fast Rising Screens and auxiliary physical security products for the UK branch network of a worldwide provider of retail banking services that has been a Safetell customer for 28 years. As previously argued, although the growth at Newmark is coming from the Electronic Division (Access Control and Workforce Management), Safetell has a number of long standing clients and this provides a base of revenue.

** Allenby Capital acts as Nomad and Broker to Newmark Security plc*

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