



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 - 21.05.18 (GFIN.L, TEK.L, CER.L, TPG.L)

Gfinity plc* (GFIN.L, 15.7p/£45.1m)

Board changes: Garry Cook appointed Executive Chairman (17.05.18)

- Garry Cook, an existing Gfinity Non-Executive Director, has been appointed Executive Chairman with immediate effect. Garry has extensive experience in the sports, media and entertainment sectors. Prior to joining Gfinity, Garry was Chief Brand Officer for the mixed martial arts organisation the Ultimate Fighting Championship (UFC) that was acquired by a consortium led by WME-IMG for a reported \$4bn in 2016. Prior to that, Garry was CEO for Manchester City Football Club and President of Nike Inc's 'Jordan Brand'. Tony Collyer has stepped down with immediate effect.
- Separately, June sees the debut of the Elite Series in Australia in conjunction with HT&E. Logitech and Dell (Alienware) are sponsoring the event that will take place at a purpose-built arena at the Hoyts Entertainment Quarter in Moore Park, Sydney. The six teams involved are city-based (Perth, Sydney, Brisbane and Melbourne) and will compete in Rocket League, Counter-Strike: Global Offensive and Street Fighter.

Allenby Capital comment: eSports shares many of the same elements as traditional sports and traditional sports are becoming more actively involved in the sector given its increasing popularity - the global audience is expected to reach 500m people by 2020. Garry Cook brings considerable expertise from the traditional sports industry as well as being part of the successful commercialisation of UFC, a sport that has grown rapidly into a major industry with multiple associated revenue streams (media rights, sponsorship, ticketing, merchandising etc). Gfinity Australia Elite Series represents the first overseas expansion for the event and the company is looking to expand into other markets.

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

Tekcapital plc* (TEK.L, 17.0p/£7.2m)

Belluscura private placement (17.05.18)

- Following the placement announced 14th February, Belluscura, Tekcapital's medical devices portfolio company, has completed a further tranche in its private placement to raise an additional \$603k in new equity and converted loans equal to c. \$78k at 18p/share - the same price as the February fundraising. This gives Belluscura a post-money valuation of c. \$4.3m - placement remains open. Tekcapital's ownership now represents c. 33% (from 39%).

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. Belluscura has already launched three products with two more products in development, the CURV oxygen concentrator and Snap III level of consciousness monitor, where the additional funds will be deployed.

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

Cerillion plc (CER.L, 145p/£42.8m)

Interims: Solid H1, Skyline gaining some traction (14.05.18)

- Revenue +11% to £8.4m with existing customers accounting for 80% of total revenue and recurring revenue rose 15% to £2.5m. Adj. EBITDA +6% to £1.6m and adj. PBT flat at £0.7m. Net cash generated from operations increased to £2.9m (H1 FY17: £1.8m) and net cash was £2.5m (FY17: £1.6m).
- New order intake was £7.9m and included a major new contract with Sure, a European telecommunications operator. This is worth an initial £5.0m and the total potential value is c. £8.4m over five years. The back order book was £15.4m (H1 FY17: £14.7m) included £11.4m of sales contracted but not yet recognised. The weighted sales pipeline is estimated to be £20.4m including £16.5m of new business.
- Skyline, Cerillion's cloud-based billing and subscription management system, is starting to gain some commercial traction although it remains a small proportion of total revenue. Skyline is broadly applicable to any industry is much faster to implement and will mean Cerillion is less exposed to the timing of large enterprise deals.

Allenby Capital comment: Solid H1 performance with Cerillion deriving the majority of revenue from its substantial and longstanding installed base. The company's suite of modules for billing, charging and CRM is highly regarded in the industry and appeared in the 'Visionaries' quadrant of Gartner's *Magic Quadrant for Integrated Revenue and Customer Management for CSPs* for a second year. Although telecom operators continue to invest in their BSS/OSS systems, sales and implementation cycles for these enterprise deployments remain long and the Skyline offers shorter cycles, albeit lower deal sizes. Shares are trading on a fairly undemanding FY18 PER of 13.8x falling to 13.2x in FY19 and yielding 3.2% and 3.5%.

TP Group plc (TPG.L, 7.25p/£55m)

Meeting with management: Expanding the service offering (14.05.18)

- Meeting with management on the back of April's finals that saw revenue increase 39% to £29.5m and adj. EBITDA +142% to £2.6m. Order intake +88% to £44.7m and the closing order book was £32.1m (+89%). This included small contributions from two companies acquired in February 2017 (ALS Technologies and Flexible Software Solutions). There was the further acquisition of Polaris Consulting in December.
- Closing net cash of £21.9m (FY16: £9.2m) was bolstered by July's £20.8m (net) placing and offset by the acquisitions made (£2.5m net of cash acquired) and investment in its Advanced Manufacturing Centre in Manchester (£1.3m). There was also a substantial increase in working capital (£6.1m) with included the delay of a payment (£2.6m) that was expected in FY17 and was received in January and the early receipt of a payment in FY16 (£2.2m).

- Cash will be used for further acquisitions to bolster its Engineering and Services divisions. The company has been looking at businesses that span a number of sectors that include space, aviation, complex control systems, transportation and cyber security. That said, the market is competitive and acquisitions need to be earnings' enhancing.
- Since the finals, the company has announced (02.05.18) the award of a second call off by the MoD under the framework contract for Combined Oxygen Generating Systems (COGS), first announced in April 2017. The call off, worth c. £12.5m, is for a number of COGS units and ancillary items and are expected to be delivered by 2026. It has also been awarded (30.04.18) two contracts worth an initial £1.8m by the MoD through its Enterprise Technical Alliance (ETA) initiative - the first contracts of scale to be awarded to TPG under the ETA initiative.

Allenby Capital comment: TP Group has undergone a transformation over the past couple of years as management has focused on specialist services and engineering. The maritime business, in particular the provision of COGS for submarines, represents a long term profitable revenue stream and TPG has a substantial share of the market outside Russia, China and the US. The engineering business in Manchester has successfully diversified away from the oil and gas industry. The addition of the services business has enabled TPG to sell more into its existing customer base and expand the base further. TPG has significant cash to deploy for further acquisitions to expand its capabilities and grow the customer base. Adjusting for the net cash, the shares are trading on an EV/EBITDA of 9.6x FY18 and 6.9x FY19 having seen a recovery since the start of April (+39%).

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

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

Allenby Capital

5 St Helen's Place London EC3A 6AB

+44 (0)20 3328 5656

www.allenbycapital.com
