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 - 18.06.18 (BOOM.L, MBT.L, ECSC.L, ECK.L)

Audioboom plc* (BOOM.L, 2p/£20.2m)
Restoration of trading and partner updates (14.06.18)

- Restoration of trading on 14th June following the announcement of a placing to raise £4.5m and the publication of its finals for FY17. An initial £2.1m was raised through the company's existing authorities, a further £2.0m is subject to EGM and a further £0.4m is also subject to the receipt of confirmation of VCT eligibility.
- Update on Audioboom's partnership with Spotify. Audioboom's listens and live read ad inventory increased by c. 10% over the 12 months to 31st May. This was on the basis of 1% of Audioboom's content being made available on Spotify. Going forward, all Audioboom's content will be available automatically on Spotify via an API. As a result, Spotify will become Audioboom's second largest distribution platform after Apple. Audioboom retains 100% of in-read advertising revenue and they will share revenue on any pre and post-roll advertising delivered programmatically by Spotify.
- Agreement with Formula One Digital Media for an official weekly podcast, *Beyond the Grid,* that will be co-produced and hosted by Audioboom. The agreement has a fixed term to December 2019, subject to performance hurdles. The inaugural series will run for an initial 52-week period. The podcast will be available via the usual podcast channels as well as F1's social channels and website. Audioboom will pay Formula One a guaranteed fee per podcast as well as a revenue share on sponsorships and advertising.
- Three exclusive partnerships with international ad sales networks that will expand the potential for advertising revenue on BOOM's content. These comprise The Pod Exchange (Canada), Placard Media (Australia and New Zealand) and DAX (programmatic for the UK, US, France and Germany). The agreement with DAX, Global Radio's digital audio advertising service, represents a renewal and sees improved CPM and sell through rates.
- The Audioboom Originals Network (AON) has produced 11 shows to date with three more scheduled by end of Q3. Management estimates that the leading AON podcasts have individual revenue potential of $100k to $900k and benefit from a much higher gross margin.
- Production, ad sales and distribution agreement with A+E Networks, a cable and satellite television company, where Audioboom will produce podcasts based on A+E Networks' programs as well as new shows.
- Ad sales partnership with Starburns Audio, a new podcasting network created by Starburns Industries, that makes creator-driven comedy podcasts.
- Extended commercial agreements with *No Such Thing As A Fish* and *The Totally Football Show*, two of the UK's most popular podcasts.

Allenby Capital comment: Audioboom has continued to develop in spite of the distraction of the aborted Triton Digital acquisition, and the partnership announcements demonstrate the company's strategy to broaden the distribution of its content and revenue opportunities and expand its content portfolio. Podcast advertising is the fastest growing subsector of the digital audio market, albeit from a low base. According to the latest study by the Interactive Advertising Bureau, advertising revenue in the US, the most developed market, increased 86% in 2018 to $315m and forecasts that the market will be worth $659m by 2020. Host-read ads remain the preferred ad type and direct response continue to represent the majority of campaigns although brand awareness ads are increasing as the market matures. June's fundraising has provided the company with the funds to expand its existing relationships, increase the volume of owned content, acquire more third-party podcasts and invest in its new buy-side media agency.

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

Mobile Tornado plc* (MBT.L, 4.85p/£16.8m)
AGM: Capitalisation of debt and extension of redemption date (12.06.18)

- Resolutions passed that included the provision of the necessary headroom to issue 50.8m shares as part of the proposal to capitalise £2.5m of short term debt owed to InTechnology, MBT's largest shareholder. Following Admission, InTechnology has 50.8% of MBT. In addition, Peter Wilkinson, InTechnology's largest shareholder, holds 10.9%.
- Extension of the redemption date of the £5.7m of redeemable preference shares to December 202 from December 2018. There is also £3.1m owed to InTechnology comprising accrued preference share coupon and interest, short term borrowings and a current account.

Allenby Capital comment: Mobile Tornado has developed an enterprise-grade Push To Talk over Cellular (Poc) platform with a broad and deep set of instant communication applications with competitive advantages in availability, performance, capacity, functionality and price. It has established relationships with MNOs in multiple geographies and secured customers in numerous vertical sectors. InTechnology and Peter Wilkinson have been long term supporters of the business and the capitalisation of the debt and extension of the preference shares help to address the what initially appears to be a weak balance sheet. PoC services and replacing land mobile radio systems in commercial environments as enterprises as enterprises with business-critical communications requirements are opting for the lower cost and increased functionality associated with PoC. MBT is well positioned to capitalise on the opportunity.

** Allenby Capital acts as Nomad and Broker to Mobile Tornado plc*
Allenby Capital's coverage on Mobile Tornado plc is available here

ECSC plc (ECSC.L, 122.5p/£11.1m)
AGM update: Growth across Managed Services and Consulting (14.06.18)

- FY18 (December) trading in line with market expectations with growth across both Managed Services and Consulting. This comes in spite of the recent board upheaval that saw Ian Mann, founder and CEO, initially step down from the board before returning as an Executive Director; the departures of Nigel Payne as non-executive Chairman, Steve Hammell as CFO and Steve Vauhan as NED; and the appointment of Elizabeth Gooch as NED.

- **Managed Services -** Three new three-year term contracts were won in H1, contributing at least £900k to the long-term order book. These use ECSC's proprietary AI product, KEPLER, that was launched at the recent Infosec trade show. Other managed service growth is coming from client renewals, expanded services and upgrades to full 24x7 services.
- **Consulting -** More than 50 new consulting clients were secured in H1 and this creates an important route to market for selling in Managed Services.
- Restructuring process is now complete. This follows the decision last September to reduce the operating cost base. ECSC had engaged in a substantial investment programme post its December 2016 IPO but found that the conversion of the pipeline into sales was taking longer than expected.
- H1 results scheduled for 11th September.

Allenby Capital comment: Cyber security remains a core and growing area of IT investment given the number of high profile breaches - Dixons Carphone admitted another data breach last week that involved 5.9m payment cards and 1.2m personal data records in 2017. The global market for products and services is forecast a CAGR of 10.7% to grow to $165bn in 2023 with services expected a faster growth rate. This growth is being driven by the prevalence of smartphones, BYOD and enterprise mobility, the need to protect complex supply chains as well as the increased burden of regulation. Recruiting and retaining staff remains an ongoing challenge given skills shortages for cyber security companies but this needs to be balanced by utilisation rates. ECSC is a well-established provider of security software and services and its managed services business provides good revenue visibility and this is complemented by the consulting business. It used the proceeds from its 2016 IPO to invest heavily in capacity but the company was caught out by longer than expected decision making cycles. Having restructured, the outlook is more encouraging.

Eckoh plc (ECK.L, 38.7p/£97.7m)
Finals: Continued US growth opportunity (13.06.18)

- FY (March) results in line with expectation, as flagged in May's trading update, with revenue +3% to £30.0m, with the US increasing 16% (32% excluding the closed Professional Services business) to represent 37% (a 400bps increase) of group. UK decreased 2.2% to £18.9m with the restructuring of the UK salesforce and focus on larger accounts in H1 now bearing fruit - contract wins more than doubled H2 over H1 and strong order book.
- Secure Payments revenue +179% in the US to $6.7m with a shift almost entirely to the SaaS/opex model where 15%-35% is recognised over the implementation period (six to eight months) with the balance over the life of the contract, generally three years. Twelve contracts were secured in FY18 (FY17: 9) with a total contract value of $9.3m and eleven under opex.
- Gross profit and adj. EBITDA increased 13% to £22.9m and £6.5m respectively. The less mature US business (61%) offers lowers margins than the UK (85%). As the proportion of Secure Payments increases and the business matures US GM should increase but group GM may decrease as the US is growing faster.
- Net cash increased £3.4m to £3.6m with operating cash flow of £5.8m (FY17: £2.5m) including an £0.4m improvement in working capital. Proposed full year dividend of 0.55p (+15%).

Allenby Capital comment: Eckoh is gaining commercial traction in the US contact centre market with its suite of products that help merchants reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards (PCI-DSS) and wider data security regulations. There is a large addressable market (management estimates 14,000 centres with >50 agent seats in the US) and the competitive environment remains relatively benign. Its first reseller partnership with West was initially slow to deliver and new partnerships are likely to follow a referral model. The contracting process can also be somewhat protracted and there will be an impact to the P&L from the adoption of IFRS 15 as hardware and implementation services will need to be recognised over the contract term rather than upfront. This will push up the multiples and ECK is trading on an FY19 PER of 26.0x and 27.7x FY20.

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