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 - 16.07.18 (ACC.L, BOOM.L, GFIN.L, KBT.L, ADT.L)

Access Intelligence plc* (ACC.L, 5.25p/£26.0m)
Interims: Further growth in Vuelio's Annual Contract Value (10.07.18)

Allenby Capital comment: Interims from Access Intelligence, a leading provider of corporate communications and reputation management software that combines PR, public affairs and social media engagement to the UK public and private sectors, demonstrate further growth in net Annual Contract Value (ACV) and a reduction in adj. LBITDA. This is a function of both new customer wins plus upsells and the ACV base was £8.9m at H1, providing high levels of revenue visibility going forward. The outlook remains positive given the increased complexity of reputation management in the UK media and political markets and the specific catalyst of GDPR. May's £2.7m placing (net) has provided the company with the funds to further extend the functionality of its Vuelio platform around mobile, social media management and analysis. No change to forecasts or 11p/share fair value.

The full note is available *here*

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

Audioboom plc* (BOOM.L, 1.9p/£22.0m)
Notice of results and update (13.07.18)

- The US now accounts for 95% of group revenue - this is the largest and most developed market for podcasting. Between Q1 and Q2, US revenue per 1,000 downloads (eCPM) increased by 33% to $19.03. This reflects an improvement in prices and fill rates and the introduction of podcaster subscription model for less commercial podcasts.
- Audioboom Original productions continue to grow with listens up 33% to 2.13m from May 2018 to June 2018. These offer Audioboom higher margin and represent a key area of focus for the company.
- Management believes that the £5.5m funding from the placing and subscription and the issue of convertible loan notes will be sufficient to see the company through to positive cash flow generation.
- Interim results are scheduled to be on or around 20 July. No change to forecasts.

Allenby Capital comment: The growth in the revenue per 1,000 downloads and Audioboom Originals listens is encouraging. The increase in eCPM is a function of more advertisers being drawn to the podcasting medium as it offers access to an attractive demographic via a much more engaged medium. The podcasting market continues to enjoy rapid growth with an increasing number of listeners, more consumption per listener, a proliferation of content and a wider range of listening options including the emergence of smart speakers and internet connected cars and the arrival of Google's new podcast app for Android devices. Audioboom launched the Audioboom Originals Network in 2017 to create its own content. This revenue stream offers much higher gross margins and part of the proceeds from the recent fundraising is being used to expand the portfolio of content. The shares have been weak since June's placing at 3p/share in spite of positive newsflow and Audioboom remains the only UK-listed option for investors looking for exposure to the podcasting industry.

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

Gfinity plc* (GFIN.L, 13p/£36.5m)
Experienced COO appointment and grant of options (12.07.18)

- Graham Wallace has been appointed to the board and the newly created role of Global Chief Operating Officer. He will work alongside recently appointed Executive Chairman, Garry Cook.
- Wallace is a highly experienced sports and media executive and has held senior executive positions with leading sports and entertainment companies including Viacom Inc, MTV Networks Europe and IMG Media. He was CFO and latterly COO of Manchester City FC where he worked with Cook and was CEO of Rangers FC following its exit from administration.
- Wallace and Cook have each been awarded options over 8.6m shares with an exercise price of 12p/share and vest in three equal tranches over the next two years. Following the grant, there are options outstanding of 57.1m, equivalent to c. 18.9% of the issued share capital.

Allenby Capital comment: Graham Wallace brings considerable experience of operating in the sports and media industries as Gfinity looks to ramp up the growth of its esports proposition - both the Elite Series as well as the events run on behalf of third party publishers (e.g. Microsoft and EA) and brands (e.g. Formula 1). The esports continues to enjoy rapid growth and the global market is expected to be worth $1.65bn by 2021. Gfinity is a proven organiser and operator of on-line and stadium-based tournaments delivering high quality content for broadcast and digital streaming.

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

K3 Business Technology plc (KBT.L, 219p/£69.2m)
Interims: Substantially overhauled (09.07.18)

- Revenue increased 2.6% to £41.4m. Within this, recurring revenue was down £0.1m to £18.7m, services (including own IP) increased 14.7% to £14.8m, software (including own IP) dropped £0.2m to £5.5m and hardware by £0.5m to £2.4m. This change in mix and better utilisation resulted in gross margin increasing 540bps to 52.2% and gross profit increased 14.3% to £21.6m.
- Adj. operating profit of £1.7m, represented a £4.8m turnaround from H1 FY17. Net debt was flat at £8.5m (H1 FY17: £18.5m; FY17: £8.5m) with a £5.0m expansion in working capital (H1 FY17: £1.1m inflow). The company's normal seasonal cash flow is an outflow in H1 and a strong inflow in H2. H2 will benefit from better profitability and reduced capitalised development (H1 FY18: £1.0m).

- Significant recovery in sales momentum for its 'ax / is fashion' product with seven contracts in H1 compared to seven in the 17 months to November 2017. This has benefited from the new channel strategy as well as Microsoft's decision to offer Dynamics 365 on-premise as well as in-cloud. Management believes that H1's number of wins is repeatable going forward.
- Programme to streamline operations and management structure substantially completed. The merger of Microsoft Dynamics practices started in H1 and the business is much more integrated. The growth strategy focuses on increasing sales of own IP products that are more ERP-agnostic and the increased use of channel partners for sales and implementation. This will benefit gross margins further.

Allenby Capital comment: The relatively new management team (the CEO and CFO joined in September and October 2016) have undertaken a substantial overhaul of the business and the interim results provide evidence of progress. The switch into profit is welcome but the growth in gross margin is more significant as the company looks to drive sales of its own IP and make use of the channel to increase its sales reach and implementation capacity. Historically, the company was very silo-ed and many of its products tied to particular ERP packages (Dynamics, SYSPRO and Sage). This restricted the addressable market. K3 is now more package-agnostic and Imagine, a 'cloud-native' platform of microservices apps that can sit on top of any ERP package, represents an interesting growth opportunity. Shares are trading on an FY18 PER of 30.4x falling to 21.2x in FY19, having substantially recovered over the past 12m (+48%). As such, the current rating assumes good levels of growth in revenue and margin.

AdEPT Telecom plc (ADT.L, 359p/£80.8m)
Prelims: Further Public Sector growth (12.07.18)

- Underlying EBITDA increased 25% to £9.8m. This was £0.2m ahead of consensus forecast as flagged in April's trading update. Revenue +35% to £46.4m, c. £2m ahead of forecast. The outperformance was a function of number of one-off sales at the end of the period that had a higher hardware element. The revenue mix did result in some margin erosion - underlying EBITDA margin was 21.0% (FY17: 22.7%).
- Revenue growth was mainly from acquisitions (+32%) with a partial contribution from Atomwide (August 2017) and a full contribution from OurIT. Organic growth was 3%. Managed services product revenue increased 69.6% to £32.4m and traditional fixed line revenue declined 9.1% to £14.0m, reflecting management's focus on managed services and IT and the ongoing migration of customers to new technologies (SIP and hosted). Call revenue accounted for 10% of the total (FY17: 15.4%) and managed services 70%.
- Year-end senior debt was £17.6m, excluding the £7.3m convertible loan note from BGF, against a £30m facility and represented a 1.8x net debt:EBITDA ratio. Reported EBITDA cash conversion (including £0.8m of compensation from Openreach) was 100% at £9.8m, there was an outflow of £14.5m relating to acquisitions and dividends of £1.8m. The current facilities and highly cash generative and low capex nature of the company provide scope for further acquisitions in what remains a fragmented market. FY DPS +12.9% to 8.75p.
- Further progress in the Public Sector where the company benefits from its approved status on a number of government frameworks. It was awarded HSCN (Health and Social Care Network) compliance that replaces the legacy N3 data network used by the NHS and this offers considerable growth as hospitals upgrade. Public Sector accounted for 30.6% of group revenue, aided by Atomwide. It has more than 100 councils, 13 NHS Trusts and 30 hospitals, 12 universities and more than 3,000 schools as customers.

Allenby Capital comment: AdEPT Telecom has successfully diversified its business from telecoms into unified comms and then IT services. This has been achieved whilst maintaining strong EBITDA margins and growth and high levels of cash generation. Atomwide, the most recent acquisition, has expanded AdEPT's Public

Sector presence, particularly around education, as well as adding a data centre and there is scope to migrate racks over to this facility over time. The management team has a proven track record in identifying and integrating acquisitions and there is scope for further consolidation in the fragmented IT services industry. M&A carries obvious risk and as AdEPT grows the company may need to look at larger deals to 'move the dial'. That said, the company has been very selective in its acquisitions and there are numerous opportunities out there.

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