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 - 30.07.18 (GFIN.L, BOOM.L, MWE.L, KAPE.L, NET.L)

Gfinity plc* (GFIN.L, 13.5p/£38.7m)
Elite Series: Domino's secured as presenting partner (25.07.18)

- Multi-season agreement with Domino's to become the Presenting Partner of the Gfinity Challenger and Elite Series UK. The deal, that runs until December 2020 and covers five seasons, is Gfinity's largest commercial deal to date.
- Domino's gains exclusivity within the quick service restaurant sector and an in-show presence throughout the 80 hours of live *FIFA*, *Rocket League* and *Street Fighter V* broadcasts. In addition, Domino's will get bespoke content, broadcast and digital assets, player shirt sleeve branding, social media activations, CRM, ticketing and hospitality. Domino's will appear with the tagline 'Delivered by Domino's'.
- Domino's will also use its own channels to promote both the Gfinity Challenger and Elite Series UK plus the player stories that emerge.

Allenby Capital comment: The partnership represents another important commercial milestone for Gfinity and its Gfinity Elite Series, following March's exclusive online streaming rights agreement with Facebook and partner agreements with Lynx, HP Omen and Turtle Beach. The deal demonstrates the interest of brands in reaching young adult consumers and the growing popularity of esports in general and the Elite Series in particular. As well as revenue, Gfinity will benefit from Domino's substantial marketing operations, and there is scope for further partnership agreements. Gfinity has a proven track record of working with publishers and taking existing video games and turning them into successful on-line and stadium-based tournaments delivering high quality content for broadcast and digital streaming. The skills involved should not be underestimated as evidenced by the problems that publisher Epic Games has encountered with the first official online event for its *Fortnite: Battle Royale* game where it cut the event short following complaints about server lag.

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

Audioboom plc* (BOOM.L, 2.1p/£24.4m)
Deferred placing completed (26.07.18)

- The final tranche of shares (13.3m, £400k) associated with June's £4.5m (gross) placing and subscription have been issued following receipt of certain confirmations from HMRC regarding VCT eligibility.

- Total shares in issue are now 1,173.3m.

Allenby Capital comment: As noted in July's interims (19.07.18), the placing and the conversion of loan notes (£1.5m) has substantially strengthened the balance sheet and enabled the payment of the transaction costs associated with the aborted Triton Digital acquisition and overdue podcast partners as well as providing funds for the expansion of its existing relationships with the likes of Spotify and Google; increasing the volume of higher margin Audioboom Original Network (AON) content; acquiring more third-party podcasts; and investing in its new buy-side media agency. The podcast industry continues to grow apace with an increasing number of podcast listeners, more consumption per listener, a proliferation of content and a wider range of listening options including Google's new native Android app. This is attracting more advertisers to the medium and Audioboom is well positioned to benefit.

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

MTI Wireless Edge plc* (MWE.L, 23.5p/£12.6m)
Further progress on proposed merger (26.07.18)

- Receipt of the pre-ruling from the Israeli Tax Authorities regarding the tax implications of the proposed merger between MTI Wireless Edge Ltd (MWE) and MTI Computers & Software Services (1982) Ltd (MTIC), MWE's largest shareholder. The pre-ruling includes a tax exemption in respect of the merger and the deferral of the taxable event for the shareholders of the merging companies until the realisation of their holdings.
- Application also filed with the Israeli court for a Court Order approving the proposed merger.
- The completion of the merger remains contingent on obtaining the certification of the court for the Merger and consequently the Court Order.

Allenby Capital comment: The proposed merger with MTIC continues to progress. The transaction offers a number of benefits - increases MWE's revenue by c. 30%, broadens the product set, aligns shareholder interests, eliminates one set of stock market listing fees and should increase liquidity as non-controlling shareholders will hold a larger proportion of shares. The two companies also operate in complementary spaces in the military and communications markets.

** Allenby Capital acts as Nomad and Joint Broker to MTI Wireless Edge Ltd*
Allenby Capital's coverage on MTI Wireless Edge Ltd is available here

Kape Technologies plc (KAPE.L, 129p/£183.1m)
H1 trading update, disposal and acquisition: Building the recurring revenue base (26.07.18)

- H1 adj. EBITDA +48% to c. $4.3m on revenue down 12% to $26.4m. Within this, revenue from its App Distribution division increased 14%. Underlying adj. EBITDA from core activities increased c. 172% and was underpinned by the company's core software solutions, including CyberGhost (VPN software) that has exceeded management expectations since its acquisition in March 2017. Closing cash of $62.7m (prior to the Intego acquisition).
- Disposal of the Media division to Ecom Online Ltd as the company focuses on its strategy to develop and distribute its own cybersecurity products. Kape will receive a 50% share of EBITDA for the next five years.

All the staff in the division will be transferred to the core App Distribution division. In FY17, the division had revenue of $15.8m and adj. EBITDA of $0.2m.

- Business is building up its recurring revenue streams and c. 40% of new Reimage sales in H1 were sold on a subscription basis. This, plus a larger contribution from CyberGhost's SaaS-based revenue is increasing revenue visibility.
- Separately (24.07.18) announced the acquisition of Intego, a leading Mac and iOS cybersecurity and malware protection SaaS business, for $16m in cash from Bessemer Venture Partners. The acquisition is expected to be earnings enhancing in the current financial year - in FY17 Intego generated a PBT of $1.4m.
- The acquisition fits with Kape's strategy of accelerating its growth in the cybersecurity market through acquisitions. It provides a foothold in the malware protection market and expands Kape's product set (firewall, anti-spam backup, data protection and parental controls software for Mac), enhances its development capability, increases Kape's user base by 150,000 (>75% renewal rate), and creates cross-sell opportunities. Intego's business should also benefit from Kape's digital marketing expertise.
- Interim results will be reported on 24th September.

Allenby Capital comment: Over the past couple of years, Kape has focused on the consumer cybersecurity space through acquisitions and disposals. The company has a proven digital distribution and online marketing platform and management has ramped up marketing spend for customer acquisition. The acquisition expands Kape's presence in the Mac cybersecurity market with a broader product offering and the addition of an established user base. The multiple (11.4x historic PBT) is similar to 2017's CyberGhost (up to 9x historic EBITDA) and looks reasonable given Kape's 2017 EV/PBT of >20x. Kape still has firepower to make further acquisitions in the fragmented cybersecurity market. The shares have substantially rerated (+94% YTD) but the FY19 rating of EV/Adj. EBITDA of 12.1x is still not overly demanding as the percentage of recurring revenue increases.

Netcall plc (NET.L, 71.5p/£101.2m)
FY pre-close: Matsoft gaining traction (24.07.18)

- FY18 adj. EBITDA expected to be +20% to £5.4m (FY17: £4.5m, consensus £5.8m) with strong order inflow and the ongoing transition to higher proportion of SaaS contracts and associated longer revenue recognition profile. Significant revenue growth at MatsSoft as well as a return to growth for the core Netcall business, Liberty. FY18 net debt was £0.7m (£5.8m cash and £6.5m of loan notes) (FY17 net cash: £12.7m).
- MatsSoft, the low-code platform provider acquired last August, has been successfully integrated and there have been initial cross and up-sales, as well as international sales and partnership deals.
- MatSoft was the only UK vendor identified in the new published Gartner Magic Quadrant for high productivity platforms and its largest customer renewed in a four year contract worth a minimum of £3.7m (announced in June).

Allenby Capital comment: The acquisition of MatsSoft substantially increased Netcall's addressable market by taking the company into the more general development market - low code enables the rapid design and build of apps by non-technical staff at a much lower cost - as well as providing cross-sell/up-sell opportunities for the existing Liberty customer engagement user base. The return to growth in Liberty is also encouraging as Netcall has transitioned from perpetual to SaaS licensing. The FY trading update suggests that H2 adj. EBITDA was flat over H1 at £2.7m and net debt reduced only £0.1m. The market was initially wary of the acquisition, as flagged at the time of the interims (TMT Update - 12.03.18) but the shares have since recovered (+65%) and the FY19 EV/EBITDA rating of 14.6x (FY19 PER 27.5x) does now assume further execution.

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