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TMT Update 03.09.18 (MWE.L, BOOM.L, FBT.L)

MTI Wireless Edge Ltd* (MWE.L, 22.7p/£12.2m)

Interims: Continued good growth at Mottech (28.08.18)

- Revenue increased 3% to \$17.1m but profits declined \$0.2m to \$1.1m, mainly a function of merger expenses of \$0.16m. Q2 operating profit increased 16% year on year and doubled over Q1 to \$0.7m. Operating cash flow increased 16% to \$2.2m and net cash sits at \$2.6m (FY17: \$1.7m).
- **Mottech:** Continued good growth with H1 revenue up 15% to \$7.1m. Much of this work was completed in Israel - it announced a \$1m order for a new customer in May – where Mottech tends to provide more of the equipment and this impacts gross margin and hence operating margin fell 336bps to 8.0%. The division is seeing the benefits of its previous investment in sales and marketing (new sales offices, extended distribution agreements and more VARs). Meanwhile, the general outlook for the global water management market remains positive as organisations in the public and private sector contend with water shortages.
- **Antennas:** H1 revenue fell 7% to \$6.6m but segmental profit increased 30% to \$0.2m. The company reports continued good demand in its military, RFID and Millimetre Wave and expects a return to revenue growth in H2.
- **New divisions:** There was 3% revenue and 23% growth in operating profit in Representation, the representation of international RF and Microwave Radio component and product manufacturers in Israel and Russia, and MTI expects an acceleration in H2 given H1 design wins. System Engineering, the smallest division in MTI that designs and operates communication and observation systems, is focused on securing growth in FY19 and beyond.

Allenby Capital comment: H1 was dominated by the merger process with MTI Computer Software and Services (1982) (MTIC) successfully completed in August. MTIC was MTI's largest shareholder (53%) and the transaction brings numerous benefits – increasing revenue by c. 30%, broadening the product set, aligning shareholder interests, eliminating the Tel Aviv stock market listing fees and should increase liquidity. The two companies operate in complementary spaces in the military and communications markets and already worked closely together, operating from the same offices. The interim results show proforma statements (P&L and balance sheet) for the merged companies and the transaction resulted in some one-off balance sheet adjustments. A fair value of 38p is equivalent to an FY18 PER of 16.9x (14.8x excluding cash), falling to 13.8x (11.6x) in FY19. The merger substantially increased shares in issue (+31.6m). As a result, although we expect the total dividend paid to increase we reduce our FY18 DPS forecast (1.6 cents from 2 cents). In spite of this, MWE continues to offer an attractive 5.3% yield for this year.

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

Audioboom plc* (BOOM.L, 2.1p/£24.4m)

Board changes: Chairman and CFO appointed; year-end change (03.09.18)

- Appointment of Michael Tobin OBE as non-executive Chairman with immediate effect. In addition, Brad Clarke, the company's CFO has been appointed to the Board with the immediate effect. Brad joined Audioboom in March qualified as a Chartered Accountant with Grant Thornton in 2009 and was previously group FD at Brave Bison (BBSN.L). Malcolm Wall, who has been chairman for the past four years, steps down.
- In conjunction with the appointment, Tobin has been granted 30m warrants in three share price performance related tranches and Clarke has been granted options over 6.5m shares subject to financial performance.
- Change of accounting date to 31 December from 30 November. The company had previously announced that it will move to US Dollar reporting, reflecting where the company derives the majority of its revenue.

Allenby Capital comment: Michael Tobin is a serial technology entrepreneur and the previous CEO of Telecity Group plc, the data centre operator, where the market capitalisation grew from £6m to £1.6bn at the time of his departure. 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. This is attracting more advertisers to the medium and Audioboom is well positioned to benefit.

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

Forbidden Technology plc* (FBT.L, 5.6p/£16.7m)

Completion of pilot in North America (29.08.18)

- Successful completion of a paid for pilot that was announced with a major North American broadcaster and sports rights holder in July 2017.
- The broadcasters used FBT's Blackbird (formerly Forscene) cloud-based video editing software to provide producers and editors with a workflow and remote collaborative access to enable them to view and create clips prior to a final editing process.
- The producers within the creative division will start using Blackbird Forte to view, edit and enrich the content of a major North American sports league.

Allenby Capital comment: Encouraging news as the company focuses on selling Blackbird as part of the core media requirements of its clients in a number of targeted verticals. Forbidden has a proven track record in sports where clients need to monetise content as quickly as possible. The company's codec has been specifically designed for manipulating video in the cloud and has a number of advantages of competing technologies.

** Allenby Capital acts as Nomad and Broker to Forbidden Technologies plc*

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