



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.

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## **TMT Update 08.10.18 (CPX.L, GFIN.L, BOOM.L, NWT.L)**

### **CAP-XX plc\* (CPX.L, 12.4p/£34.6m)**

#### **Licence agreement with TDK (08.10.18)**

- Licence agreement signed with TDK Corp whereby TDK will licence a family of CAP-XX's patents on a non-exclusive basis. TDC will join Murata and AVX as licensees of CAP-XX's supercapacitor IP. The royalty rate to be paid is in line with the other licence agreements though no other financial details were provided.

**Allenby Capital comment:** A significant new licence for CAP-XX's portfolio of supercapacitor IP from one of the world's largest electronic component suppliers with sales in excess of \$11bn and more than 100,000 employees. TDK has been offering pouch-type supercapacitors, including an ultra-thin version with a thickness of 0.45mm that can be incorporated into smart cards, for the past couple of years.

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

### **Gfinity plc\* (GFIN.L, 11.25p/£33.1m)**

#### **Appointed tournament operator for inaugural ePremier League (04.10.18)**

- Agreement with the football Premier League to become Tournament Operator of the inaugural ePremier League (ePL) tournament based on EA Sports FIFA 19.
- Gfinity will develop and run the online qualification stage of the tournament (on Xbox and PS4) via its proprietary tournament management platform. It will then run the 20 competitions for the club knockout rounds and host the final at the Gfinity Arena in March 2019. These 21 events will be broadcast live on Sky Sports and the Premier League social media channels.
- The ePL commences in January 2019 with every Premier League club represented. Players will compete for three months across three rounds: online qualification, live club playoffs and finals. Each club will have a live playoff between two FIFA 19 players, one per PS4 and Xbox. Registration will open in December 2018.

**Allenby Capital comment:** An important endorsement for Gfinity with parallels to the partnership with Formula 1 that was renewed and expanded in April. Both sports are looking to reach out to a broader audience and tap into the substantial growth that is being enjoyed by eSports. The interest in eSports extends down to the individual football clubs with many running their own eSports teams and consequently there are potential

additional revenue streams. Gfinity is a proven eSports operator, developing competition tournament formats, running the online and arena-based events and generating broadcast quality content.

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

### **Audioboom plc\* (BOOM.L, 1.4p/£16.4m) 9m trading update - FY to be below expectations (04.10.18)**

- Q3 revenue increased 14% on Q2 FY18 and 26% on Q3 FY17 to more than \$2.4m. In spite of this growth, revenue for the 13 months to December 2018 is now expected to be in the range of \$11.5m to \$13m (ACLe forecast for the 12 months to November 2018 was \$13.6m). The revised guidance still represents >100% growth on FY17 (\$6.1m).
- The shortfall in revenue will result in a larger loss than expected (ACLe: \$3.1m) and management is guiding to an adj. LBITDA of \$4.5m to \$5.5m (FY17: \$5.7m). Cash at the end of September was \$1.6m (H1 FY18: \$0.4m) following June's \$5.9m placing. Cash at the end of June was \$3.4m having settled creditors and costs of the aborted Triton Digital acquisition.
- The aborted transaction with Triton Digital is cited as the main reason for the performance shortfall as the company lost some long-standing content partners to rival platforms as it was focusing resource on the acquisition. Management believes this is now behind it and can point to high profile signings including Formula 1 and Jonathan Ross and new AON content such as '*Dead Man Talking*'.
- The number of smaller podcasters that are paying subscriptions (\$9.99 per month) to use the Audioboom platform has increased 19% to 1,883; revenue per 1,000 listens in the US is up 40% and the brand advertiser count was 154 at Q3 (Q2: 130).
- Separately, Michael Tobin OBE, who joined as non-executive chairman in September, acquired 1.2m shares (04.10.18). And a further 0.7m on the 8th.

**Allenby Capital comment:** Disappointing update from the podcasting company and in contrast to the positive tone in July's interims. Although the company has continued to grow in revenue and other KPIs, trading has taken longer to recover from the distraction of the aborted transaction with Triton Digital. The guidance for the final four months suggests a substantial uplift in trading (between \$5.7m and \$7.2m) from the first nine month and management believes this will come from further growth in live read advertising in the US, sponsorship agreements plus live read advertising in the UK (similar to the Bose/F1 deal) and buy-side advertising agency sales. This level of revenue plus the cost savings already undertaken would result in a much lower loss in the final four months (c. \$0.8m), per the guidance.

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

### **Newmark Security plc\* (NWT.L, 1.05p/£2.4m) Prelims: Solid numbers, growth in Grosvenor (03.10.18)**

- Revenue was flat at £16.0m and within this the Electronic division (access control and human capital management (HCM)) increased 12.2% and the Asset protection division declined 10.5% to £8.1m. Gross margin increased 380bps to 31.7% and adj. operating loss reduced 24.6% to £1.0m. Loss per share from continuing operations reduced 57.4% to 0.38p. Net cash reduced £0.3m to £1.1m.
- **Electronic (Grosvenor Technology).** In Access Control, Sateon Advance has proved to be the most successful variant of Sateon to date with a large volume of new systems. The growth in Sateon sales (+31.8% to £2.6m) has more than offset the decline in Janus (-31.7% to £1.3m) following the decision to retire the

legacy range. OEM versions of Advance are also proving successful although the development with UniKey Technologies was put on hold as UniKey's product development was slower than expected. HCM revenue increased 25.1% to £4.1m with good growth in both Europe and the US.

- **Asset protection (Safetell).** The revenue decline was a function of reduced sales of time delayed cash handling equipment to the Post Office (-42%) that more than offset the 12% increase in other product sales. New products have been added but sales from the partnership with Gunnebo UK have been disappointing to date. Service revenue increased 4.7% to £3.2m as Safetell continues to upgrade legacy systems and support the wider product set.
- **Outlook.** Growth prospects for Access Control continue to look good with the ongoing Janus migration programme as well as new customers being drawn to the Sateon Advance product. A separate access control product that will feature as part of a third-party Integrated Security Management (ISM) is expected in H2. In HCM, the GT-10 terminal has scope for growth through partnerships with software developers and the IT31 will undergo a refresh. In Asset protection, the company is looking to add to its product portfolio but also secure customers into other verticals (e.g. retail).

**Allenby Capital comment:** A solid set of numbers with the growth in Grosvenor masked by the further decline in Safetell. Much of the decline in the latter is a function of the Post Office contract as well as ongoing reduction of branches in the banking sector. There is considerable scope for growth in Grosvenor with Sateon Advance gaining traction, the addition of the ISM product as well as the terminals for Human Capital Management applications. Asset protection should also recover with the addition of products and customer diversification.

*\* Allenby Capital acts as Nomad and Broker to Newmark Security plc*

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