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TMT Update 05.11.18 (CPX.L, BBSN.L, SYS1.L)

CAP-XX plc* (CPX.L, 9.25p/£28.0m)

Additional funds provides increased flexibility (05.11.18)

- Subscription to raise £1.75m at 8.5p/share, representing an 8% discount to the closing mid-market price on 2nd November. The additional funds, from new and existing shareholders, will be used to increase product sales and to complete additional licence agreements.
- The dilutive effect of the placing is fully offset by recent strengthening of Australian dollar and LPS remains unchanged at 0.26p (FY19) and 0.07p (FY20). FY19 net cash increases to A\$3.6m (from A\$0.6m) and to A\$3.3m (from A\$0.3m) in FY20.

Allenby Capital comment: The subscription follows October's FY18 results from the leading supercapacitor designer and manufacturer. These demonstrated increased momentum during H2 and a good start to FY19 with the TDK licence agreement. There is increasing interest in CAP-XX's product set across multiple sectors and the additional funds provides the company with increased flexibility for the expansion of its direct sales channels alongside sales through its licence agreements. As previously argued, the 3V product family, due for launch mid-2019, opens a potentially huge market as supercapacitors can address the shortcomings of Li-ion coin cell batteries. Licensing negotiations are ongoing with numerous parties for applications in multiple sectors.

** Allenby Capital acts as Nomad and Joint Broker to CAP-XX plc*

Allenby Capital's coverage on CAP-XX plc is available [here](#)

Brave Bison plc* (BBSN.L, 1.6p/£9.8m)

Snapchat agreement: extends content distribution (30.10.18)

- Agreement whereby two of Brave Bison's multi-platform channels, Mutha and Perk, will feature on Snapchat's new Shows section of its mobile app. This forms part of Snapchat's expansion of its content from UK creators with 25 new series from 17 different content producers, aimed at millennial audiences.
- The new Shows feature expands the selection of local content available on Snapchat's Discover page that already features Publishers Stories from UK brands such as the Telegraph, the Sun and the Economist.
- Mutha is focused on sustainable and conscious living, working with organisations, brands and individuals who are taking positive action. It was launched in partnership with the United Nations Environment Programme. Perk looks at careers content focussed on real people and work themes.

- The agreement is not expected to result in a material financial benefit but it will broaden the reach of BBSN's influencer and social video content. This should benefit BBSN's future ability to attract brands and advertising to its channels.

Allenby Capital comment: Snapchat has more than five million people in the UK watching Shows on Snapchat and is expanding its local content in order to build more engagement directly in specific markets. The content producers include more traditional media companies, such as Sky News, The Guardian, Hearst/Cosmopolitan UK) as well as social video companies such as Brave Bison. The agreement broadens the reach of BBSN's influencer and social video content.

** Allenby Capital acts as Nomad and Broker to Brave Bison plc.*

System1 Group plc* (SYS1.L, 195p/£24.5m)

Interims: Ad Ratings offers potential for growth (02.11.18)

- Gross profit declined 5% (3% on a constant currency basis) to £10.8m but underlying PBT (excluding the investment in Ad Ratings) increased 74% to £1.0m following a 14% reduction in operating costs. Net cash reduced £2.2m during H1 to £3.6m reflecting an expansion in working capital (£1.9m), capitalised development spend (£0.2m) and dividends paid (£0.8m). The expansion in working capital reflects the payment terms of larger customers and DSO are likely to continue around 77 versus the historic 57. Interim dividend maintained at 1.1p/share.
- Investment in Ad Ratings totalled £1.6m in H1 - £0.5m capitalised. The new subscription service will enable clients to assess the effectiveness of historic adverts, compare with competitors' and correlate advertising effectiveness with media spend. The service is due to go live later this month across a number of categories in the UK and US with c. 23k adverts tested. Subscriptions will be charged on the basis of £1k per month per category.
- In the main Research business, Innovation (testing of new product concepts) returned to growth following new product launch, new pricing structure and an improvement in client budgets. Communications (testing adverts prior to broadcast) was also relaunched and lower pricing introduced but this was later in the period and the benefits have yet to come through. Brand (tracking brand health) gross profit was down 18% reflecting some churn.
- Outlook - Markets remain challenging but management feels that the new product configurations and keener pricing will enable the business to continue to stabilise before returning to growth. Ad Ratings is unproven and will require additional investment before any meaningful revenue is expected.

Allenby Capital comment: H1 results from the provider of marketing services were somewhat mixed, as flagged in October's trading update, with a decline in gross profit more than offset by tight cost control. H1 saw some evidence of recovery in parts of the business with new products and pricing but the general outlook remains challenging. Ad Ratings looks an interesting proposition but is unproven at this stage and will require additional investment. Shares are trading on a pretty undemanding 10.9x FY19 PER and 8.2x FY20, before adjusting for cash. There is also a yield of 3.85% (FY19) rising to 3.92% in FY20 on the basis of current forecasts. That said, management has flagged that the final dividend may be reduced depending on the scale of further investment in Ad Ratings and the potential for share buybacks.

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