



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 19.11.18 (MWE.L, CCT.L)

MTI Wireless Edge Ltd* (MWE.L, 17p/£14.8m)

Q3 results - Enlarged group on track (19.11.18)

[Note published](#)

Allenby Capital comment: Nine-month results present the performance of the enlarged group as if MTI Computer Software and Services (1982) and MTI Wireless Edge (MWE) had been together since inception. The merger with MWE's largest shareholder was completed in August and has brought numerous benefits – increasing revenue by a third, broadening the product set, diversifying the business and eliminating secondary listing fees. The companies operated in complementary spaces in the military and communications markets and already worked closely together. Despite the disruption of the merger process, the enlarged group has grown at the top and bottom lines. Small changes to P&L forecasts around tax and we increase our cash forecast by \$0.4m for FY18. Our fair value of 38p/share, equivalent to an FY18 PER of 17.4x (14.9x), falling to 14.1x (11.7x), represents a 105% upside to the current price. The current price is offering a yield of 6.7% (FY18) and 8.4% (FY19).

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

The Character Group plc* (CCT.L, 496p/£104.9m)

Products feature again in influential Xmas guide (15.11.18)

- Two of Character Group's products - *Laser X Twin Pack* and *Cra-Z-Slimy Creations Super Slime Studio* - featured in the annual "*Dream Toys' dream dozen*" from the Toy Retailer Association (TRA). The guide is based on the opinions of large chain retailers, small multiples and independent retailers across the UK and is regarded as the most independent and authoritative prediction of the toys that will be the most sought after by children this Christmas. It is the second year running for the *Laser X Twin Pack*.
- 10 of the other 72 toys and games named as being ones to watch out for are supplied by Character and include *Wrapples* from Little Live Pets, the *Peppa Pig* Mobile Medical Centre, *Treasure X* and the *Batman Stretch* toy.
- FY18 results are scheduled for 29th November.

Allenby Capital comment: Character Group, the UK's leading independent toy company, is a regular contributor to the 'Dream Toys' dream dozen'. The list is influential both reflecting and driving demand as parents struggle to work out what to buy for Xmas. The outlook for Xmas 2018 is somewhat mixed. On the plus side, the problems at Toys R Us that hung over last Xmas have been resolved and excess stock in the channel cleared but consumer confidence remains fairly fragile. That said, Xmas will happen and CCT' management has a track record of offering a range of products that reflect customer demand. The company entered FY18 with what management described as its strongest ever product line up with a balance between its 'ever-green' brands and new products, some developed in-house. CCT has benefited from its focus on price competitive products (including 'craze' lines) and not being aligned to any particular film franchises. Our fair value of 580p, equivalent to an 11.5x FY19 PER and a 4.7% yield, remains unchanged.

** Allenby Capital acts as Joint Broker to The Character Group plc.*

Allenby Capital's coverage on The Character Group plc is available [here](#)

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David Johnson is the author of this research recommendation. David Johnson is employed by Allenby Capital Limited as an Equity Analyst.

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