



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 26.11.18 (BOOM.L, TERN.L, CPX.L)

Audioboom plc* (BOOM.L, 1.05p/£12.3m)

Trading update: Growth in Audioboom Original Network portfolio (26.11.18)

- Trading remains in line with management expectation, as set out in October's trading update, for the 13 months to December 31st - revenue between \$11.5m and \$13m and an adj. EBITDA loss of between \$4.5m and \$5.5m. Cash at 30th September was \$1.6m.
- The Audioboom Originals Network (AON) now has a slate of 12 owned and operated podcasts and co-produced shows and had more than two million downloads in October. Popular series have included 'Covert', 'Mafia' and 'Dead Man Talking' (DMT). The latter saw Audioboom's first use of a dedicated marketing budget (in-podcast advertising, TV spots and billboards) for an AON production and this will be repeated in 2019 for other AON productions. Advertising sponsors for DMT have included The Economist, Audible, Condé Nast, HelloFresh, Brooklinen, Vistaprint, Robinhood, SimpliSafe, Stamps.com and ZipRecruiter.
- Three more AON series will be added in Q1 2019 - 'The Narrow Caves', an audio drama in the horror genre; 'Almost Smart with Vinny', a podcast following a reality TV star as he learns new skills and perspectives; and 'And That's Why We Drink', a humorous look at true crime, urban legends and paranormal phenomena. The latter is an established podcast that has accrued more than 23m listens with an average 2m listens per month and nearly 50% via Spotify that expanded into podcast distribution in 2018.

Allenby Capital comment: Encouraging growth in the portfolio of owned and operated podcasts and co-produced shows that offer higher gross margins and more control to Audioboom. DMT has been notable for its high production values as well as Audioboom's investment in advertising and the podcast has been well reviewed and gained rapid traction with both consumers and advertisers, traditional direct response and brand advertisers. The quality of Audioboom's platform and access it provides to advertisers is also attracting established podcasts, such as 'And That's Why We Drink'. The podcasting genre continues to expand rapidly and Audioboom is positioned to capitalise on this growth.

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

Tern plc* (TERN.L, 15.25p/£36.1m)

Portfolio update (22.11.18)

- £2.5m invested in the portfolio during 2018 to date - £1.9m into Fundamental VR (FVRVS), the VR training and data analysis technology platform where Tern has a 34.7% holding, and £0.6m into InVMA, IoT applications based on the PTC/Thingworx development platform (50% holding).
- £2.9m raised in H2, £6.0m YTD, and cash at 31st October was £2.0m. This compares to Directors' estimate of the annual operational cash burn of Tern of £0.9m. Cash not used operationally will be used to invest in current and future portfolio companies.
- FVRVS signed a three year joint development agreement with the Mayo Foundation for Medical Education and Research in October where the two organisations will collaborate on a range of simulation and education products with an initial focus on the General Surgery area. FVRVS will also showcase its Fundamental Surgery platform at the Mayo Clinic's simulation centres in Arizona, Florida and Minnesota. FVRVS lost £248k in FY17.
- Device Authority (DA), where Tern has a 56.8% holding, reported losses of £1.75m for FY17 for the UK company only. Including the US (Device Authority Inc), the group lost c. £2.9m. Tern, along with co-investors Alsop Louie Partners and George Samenuk, has provided \$2.9m in working capital through convertible loan notes. DA has announced products for private PKI networks and enterprise blockchain infrastructures, increased integration with Certificate Authorities and been selected as the IoT device and data trust product for a critical medical device manufacturer.
- InVMA reported losses of £280k for FY17. In H2 FY18, it has acquired the IP and other assets of AMIHO Technology, secured contracts with a leading Aerospace and Defence company, a global lift manufacturing company and a UK public utility company and added two channel partners.
- flexiOPS, a wholly owned subsidiary, continues to focus on the growth and support of its 90% subsidiary, Wyld Technologies and its ad-hoc mesh networking offering with the initial productisation of the Wyld Mesh and Wyld Fusion platforms and associated marketing.

Allenby Capital comment: Progress on numerous fronts by the portfolio companies of Tern, the investment company focused on the Internet of Things. Tern has focused on building large stakes in its companies and provides direct management support and access to the board's network of resources as well as funding. By focusing on UK-based companies that have scope to sell internationally, Tern can secure much keener valuations than for similar stage US businesses. The IoT focus also enables collaboration between the investee companies. The current level of cash is sufficient for Tern for the next couple of years but additional firepower would be required for substantial new and follow up investments.

** Allenby Capital acts as Nomad and Joint Broker to Tern plc.*

CAP-XX Ltd* (CPX.L, 8.55p/£27.7m)

AGM statement: record levels of enquiries (20.11.18)

- Record levels of enquiries reported for CPX's extended range of supercapacitors. These are from a broad base of end user customer segments, including automotive, industrial and smart meters, as well as consumer applications for IoT. Enquiries also being received for the new 3V supercapacitor where first customer deliveries are expected in mid-2019.
- Australian R&D tax credit (c. A\$1.6m) has now been received and coupled with the £1.75m subscription from earlier this month, the company is well placed to increase product sales and complete additional licence agreements.
- No change to forecasts.

Allenby Capital comment: Brief AGM statement that echoes the positive outlook statement from October's prelims. CAP-XX now has three licensees of its IP with additional agreements under discussion with some expected to successfully close by the end of the current financial year. Meanwhile sales of its own products continue to grow for both prismatic and the newer cylindrical cell supercapacitors. As previously discussed, the 3V product family opens a potentially huge market as supercapacitors address the shortcomings of lithium ion batteries.

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