



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 03.12.18 (CCT.L, GFIN.L, MIRA.L)

(The) Character Group plc* (CCT.L, 515p/£109.1m)

Prelims: Return to growth in H2 (29.11.18)

[Note published](#)

Allenby Capital comment: H2 saw a return to the previous growth pattern at The Character Group (CCT.L), the UK's leading independent toy company, as flagged in September's trading update. FY18 revenue of £106.2m (ACLe: £106.7m) represented a 7.9% decline on FY17 but there was a 3.6% increase H2 over H2 and a 10.4% increase on a sequential basis - CCT's domestic business delivered record sales. Underlying PBT was £11.6m (ACLe: £11.1m; FY17; £13.4m). H2 represents a creditable performance compared with CCT's larger competitors – e.g. Hasbro's revenue fell 12% and Mattel by 8% in Q3 – as the industry suffered from the fall out of the liquidation of Toys R Us and the generally difficult retail backdrop. As previously argued, we believe CCT is benefiting from the strength of its portfolio. CCT has seen good demand for its key product ranges throughout the year (*Peppa Pig, Little Live Pets, Teletubbies* and *Stretch*) complemented by its impulse purchase trend or 'craze' lines e.g. *Soft 'n Slo Squishies, Cakepop Cuties* and *Cra.Z.Slimy*. FY19 has started in line with expectation and the outlook is positive for the upcoming Xmas season. FY19 forecasts and 596p fair value, equivalent to a FY19 PER of 11.6x and representing a 20% upside, remain unchanged. CCT remains well capitalised and offers a 5.5% yield.

** Allenby Capital acts as Joint Broker to (The) Character Group plc
Allenby Capital's coverage on (The) Character Group plc is available [here](#)*

Gfinity plc* (GFIN.L, 8.6p/£31.2m)

Prelims: Heavy investment bearing fruit (27.11.18)

- As per October's trading update, FY18 revenue increased 82% to £4.3m driven by growth in both Gfinity's managed services and its owned and operated properties. FY18 also included £0.6m from Cevo that was acquired in July 2017. Adj. EBITDA loss increased 150% to £12.5m reflecting the heavy investment in the Gfinity Elite Series in the UK where the first three seasons took place in FY18. The level of LBITDA reduced £2.0m in H2 to £5.0m as revenue increased 39% to £2.5m. Cash at period end was £3.7m and was supplemented by a further £6.0m in October.
- Partnered with Formula 1 and Codemasters to launch the inaugural Formula 1 Esports Series. This was renewed and expanded for season two that saw the participation of nine of the F1 teams that set up their own esports teams to compete.

- Continued to deliver esports tournaments and events for leading games publishers include EA Sports, Microsoft and Activision Blizzard.
- Successfully staged the first three seasons of the Elite Series with 10 leading franchises now signed up to participate; a contents rights partnership signed with Facebook; live viewership of 12.5m for season 3 and a further 4.9m viewing ancillary content; Unilever signed up as a commercial partner; and licensed the format, brand and technology to Australia. Post period end, secured multi-year contract with Domino's Pizza as Presenting Partner.
- New and experienced leadership team, including Executive Chairm and Garry Cook and addition of Andy MacLeod and Preeti Mardia to board. Appointment of Graham Wallace (Chief Operating Officer) and John Clarke (NED) post period end.
- Announced as Esports Tournament Operator for the inaugural ePremier League competition and staged Halo Championship Series and finals of Forza Racing Championship at the Gfinity arena.

Allenby Capital comment: Gfinity is working with games publishers, rights holders and major brands and media organisations in order to capitalise on the rapid growth of esports and its community. FY17 saw significant investment as the company established its owned and operated Elite Series but the involvement of Facebook, major brands and established esports teams is encouraging. At the same time, Gfinity continued to stage and operate events for publishers and work with rights holders (F1 and the Premier League) that are looking to engage with the younger demographic. October's placing has strengthened the balance sheet but the company will require additional funding as management is targeting adj. EBITDA breakeven within the next few years with administrative expenses expected to stabilise around £10m to £12m coupled with long term group gross margin of 30-40% resulting in an adj. EBITDA margin in the range of 15-25%.

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

Mirada* (MIRA.L, 0.75p/£6.9m)

Partnership agreement: Increased sales and marketing reach (27.11.18)

- Partnership agreement with global technology and consulting company Indra Sistemas. Indra will act as a global reseller of Mirada's Iris Multiscreen digital TV product with an initial focus on South East Asia. This has the potential to substantially increase Mirada's sales and marketing reach.
- Indra has been looking for a digital TV partner to complement the existing product and services portfolio it provides to telecoms and media operators as prime contractor. It selected Iris on the basis of its scalability and advanced capabilities that can be offered to both low and high volume operators as well as different subscriber tiers. This has been demonstrated with izzi Telecom in Mexico that now has more than 1.5m STBs installed.

Allenby Capital comment: Partnership significantly increases Mirada's sales and marketing capabilities, initially in South East Asia, but also represents another important endorsement of the quality of its technology offering. The STB represents a critical part of every operator's infrastructure as any downtime will result in lost revenue and reputational damage whilst the cost of truck roll replacements is high. The deployment at izzi Telecom represents an important reference site and Mirada has been successful in securing additional deployments and is active in a number of international tenders in spite of its size. The presence of Indra will provide additional resource.

** Allenby Capital acts as Nomad and Broker to Mirada plc.*

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