



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 28.01.19 (ECSC.L, BOOM.L, FBT.L, CCT.L, MWE.L)

ECSC Group plc* (ECSC.L, 115p/£10.5m)

Pre-close FY18 trading update: Firmly back on track (22.01.19)

Note published

Allenby Capital comment: ECSC Group is the UK's longest running full service cyber security provider (Consultancy, Managed Services and Incident Response). It has long-term relationships with >200 blue-chip customers across multiple vertical sectors and provides investors with exposure to the ongoing growth in the cyber security market. ECSC has invested in its technology (including AI) and service capability and can offer its clients a full suite of cyber and information security services and is one of very few mid-market providers with 24/7/365 Security Operations Centre (SOC) cover. This integrated and comprehensive offering represents a key differentiator. Having grown steadily at c. 20% per annum prior to IPO in 2016, ECSC stumbled in its 2017 expansion programme. Today's in-line trading update demonstrates that this distraction is now firmly behind it with FY18 revenue growth of >30% with profitable trading in October and November. The outlook is positive with cyber security high on the corporate agenda and we expect the company will return to sustained profit in 2019. The current share price fails to reflect its current operations or the growth potential and we set a fair value of 170p/share, equivalent to an FY20 EV/Sales of 1.8x, an EV/EBITDA of 13.5x.

- Separately (28.01.19), the company announced that it has received an Award for Excellence at PCI London for its work within the payment card industry for the third year in a row. The award is for ECSC's implementation of 24/7/365 cyber security monitoring from its global PCI certified Security Operations Centre, utilising its AI Kepler technology.

** Allenby Capital acts as Nomad and Broker to ECSC Group plc.*

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

Audioboom plc* (BOOM.L, 1.275p/£15.0m)

FY trading update: Strong revenue growth, reduced losses (21.01.19)

- FY18 (13 months) revenue increased 92% to \$11.7m, albeit at the lower end of the range provided in October's trading statement (\$11.5m to \$13m) and adj. LBITDA reduced 9.8% to \$5.2m (previous LBITDA guidance of \$4.5m to \$5.5m).

- Revenue grew significantly in the final four months of FY18 and revenue per 1,000 listens in the US (eCPM) increased 36% between May and December 2018 to \$25.87. The brand advertiser count was 160 in December, compared with 130 in May. These KPIs reflect the continued general growth in the podcasting sector and Audioboom's specific success in attracting more advertisers to its content.
- Group cash at year end was \$1.6m, the same as at 30 September and Audioboom was operating cash flow breakeven in Q4. Although trading was weighted to the final quarter, management has focused on cash collection.
- Further substantial growth is expected in FY19 given pre-booked advertising campaigns and content acquisition. As flagged in November's trading update, the Audioboom Originals Network (AON) now has a slate of twelve owned and operated podcasts and co-produced shows with more than two million downloads per month in October 2018. Key titles include Covert, Mafia and Dead Man Talking. A further three shows are scheduled for release in Q1. Other recent high-profile additions include Jonathan Ross, George Ezra and Heston Blumenthal.

Allenby Capital comment: Strong end to FY18 as the podcast market continues to grow rapidly and more advertisers are drawn to Audioboom's platform and content. As revenue for the first 9m was c. \$5.8m, this suggests revenue of \$5.9m in the final four months. The level of LBITDA has also reduced with LBITDA of \$2.9m in H1 and \$2.3m in the final seven months. Audioboom is a proven end-to-end podcasting platform provider with a network of third-party channels and owned and operated content that is attracting a broad base of advertisers that is looking to reach podcasting's growing audience.

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

Forbidden Technologies* (FBT.L, 8.5p/£25.1m) Contract win: High profile (28.01.18)

- Contract with Peloton, the high profile international fitness company, for FBT's Blackbird cloud video platform. Peloton will use Blackbird to edit the daily on-demand virtual classes given by its cycling instructors from its two studios in New York and the one that is scheduled to open in London in 2019. Peloton is also diversifying into new fitness areas with classes in treadmill running and yoga.
- Peloton sells exercise bikes with screens as well as standalone subscription service with live and on-demand virtual fitness classes available to its one million rider community. There are 14 daily live classes and >8,000 on-demand classes with duration of five to 120 minutes.
- Blackbird will significantly reduce the time it takes for Peloton to make high-quality, on-demand videos available. Blackbird Edge will sync the live streams into Blackbird Cloud where Peloton's media production team can edit the content. Blackbird also enables the storage and archiving of edited classes retaining the original audio layout where users can customise their choice of instructor and music.
- Commercial terms were not disclosed though management reports that the fees payable are not substantial on a one-year basis.

Allenby Capital comment: Peloton represents a high-profile contract win and strengthens the company's position in the US, a core element of its growth strategy, following its success with MSG Networks, TownNews and Deltatre. Blackbird's cloud-based video editing software will provide Peloton with speed to market, the ability to manage streams from multiple studios as well as the functionality to enable users to personalise the content.

** Allenby Capital acts as Nomad and Broker to Forbidden Technologies plc.*

The Character Group plc* (CCT.L, 530p/£110.6m)

Trade awards: Supplier of the year (24.01.19)

- Character Group's principal trading subsidiary, Character Options, was awarded 'Supplier of the Year' at last week's annual Toy Industry Awards at The London Toy Fair trade show.
- In addition, *Soft'n Slo Squishies*, the slow rising memory foam, won the Craze of the Year category. The brand was a top performing item in 2018 and one of the best sellers for Character Options. Two other brands were nominated: *Peppa Pig* in pre-school and *Bubbleez* as another brand in the craze category.
- In terms of 2019, the company showcased *Slimi Cafe* that combines slow rising foam and slime, the largest *Peppa Pig* range to date to celebrate its 15th anniversary and *Mighty Beanz*, a new collectible range.

Allenby Capital comment: The London Toy Fair provides CCT the opportunity to showcase its range of products for 2019 to chains and independents. Management reported positive feedback to the new range and range extensions and the company is maintaining the momentum reported in January's trading update with stocks under control, a strong balance sheet and a proven and balanced product portfolio of 'ever-green' and 'craze' lines. Forecasts and fair value of 596p/share, equivalent to FY19 11.6x, remain unchanged.

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

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

MTI Wireless Edge plc* (MWE.L, 19p/£10.5m)

Proposed change of CEO (23.01.19)

- Proposed appointment, subject to GM, of Moni Borovitz, currently CFO, as CEO of the company - the current CEO, Dov Feiner, will remain as a board director and as general manager of MWE's antenna division.
- Separately, it announced a share repurchase programme of up to £150k that will run from 28.01.19 until no later than 26.07.19. The maximum price paid will be equal to 105% of the five-day average. The Ordinary Shares may be resold, under appropriate circumstances, and the proceeds may be used to make further purchases.

Allenby Capital comment: The proposed promotion of Moni Borovitz to CEO is a logical step. As a result of the completion of the merger with MTIC, the MWE now has four operating divisions. Borovitz is responsible for the overall group activity and strategy while each division is managed day to day by its general manager. Dov Feiner has run the Antenna division for more than 20 years. Post the appointment, MWE's existing financial controller (who has been with the company for 20 years) will take on the financial management of the company.

** Allenby Capital acts as Nomad and Joint Broker to MTI Wireless Edge Ltd.*

Allenby Capital's coverage on MTI Wireless Edge Ltd is available [here](#)

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