



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 04.02.19 (MPAY.L, GFIN.L, NWT.L, STAR.L)

Mi-Pay Group plc* (MPAY.L, 9.7p/£4.4m)

Pre-close FY18 trading update: Shift to digital (30.01.19)

[Note published](#)

Allenby Capital comment: Mi-Pay is an established provider of digital payment and payment fraud managed services to Tier 1 mobile operators and digital content vendors. It offers incremental value-added services including the management of multiple connection methods, the delivery of the payments experience and the security of client data. Mi-Pay has sector-leading levels of payment success and fraud identification and management and indemnifies its customers against fraud. It charges higher fees compared with traditional payment companies as its deeper solution offering is layered on top of core payment solutions. Today's in-line pre-close demonstrates further revenue growth and a move into EBITDA profit in H2. We are trimming our FY19 revenue growth assumptions (by c. 10%) given the current uncertain macro outlook but still expect Mi-Pay to achieve stronger growth rates going forward as the platform and client base are now established. The current share price fails to reflect the strength of the existing offering or the growth potential as e-commerce and digital channels become core to customer engagement. We set a fair value of 17.8p/share, an 84% upside.

** Allenby Capital acts as Nomad and Broker to Mi-Pay Group plc.*

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

Gfinity plc* (GFIN.L, 5.7p/£20.7m)

Contract win: 2019 Call of Duty World League event (04.02.19)

- Won the competitive tender to host the third open event of the 2019 Call of Duty World League (CWL) Season, CWL London, at the 7,500 capacity Copper Box Arena in London, running 3-5 May. The event, that features *Call of Duty: Black Ops 4*, feeds into August's Call of Duty World League Championship. It will feature 16 professional CWL teams as well as an amateur tournament.
- Gfinity won the tender due to its track record for organising and hosting major esports events and there is scope for additional revenue opportunities through ticket sales and commercial rights.

Allenby Capital comment: Gfinity has become a trusted partner to games publishers, rights holders and major brands and media organisations in order to capitalise on the rapid growth of esports and its community.

CWL is one of the largest esports leagues having started in 2016 and comprises a number of tournaments, *Black Ops III*, *Infinite Warfare*, *WWII* and *Black Ops 4*. In 2018 there was \$4.2m of prize money in total with \$1.5m for the Call of Duty Championships final that has been in operation since 2013.

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

Newmark Security plc* (NWT.L, 0.9p/£4.2m)

Interims: Positive performance in Electronic Division (31.01.19)

- H1 revenue +19.5% to £9.8m with a £0.8m positive swing in operating profit to £0.5m. Cash outflow from operating activities was £0.7m (H1 FY17: £0.1m) reflecting an expansion in working capital (£1.5m increase in trade receivables and £0.6m in inventories partly offset by a £0.6m increase in trade payables). Cash at period end was £0.7m (FY18: £1.1m).
- Electronic Division - revenue +27.7% to £5.1m with Human Capital Management (HCM) +53.0% to £3.0m and Access Control (AC) +2.4% to £2.0m. In HCM, declines in revenue from the legacy range of RS terminals was more than offset by the new IT Series. US revenue increased 264% to £1.5m and remains the core focus for growth for Grosvenor's HCM business. In AC, the Janus to Sateon upgrade programme completed in H1. Sateon revenue also benefited from sales of the OEM variant of the Advance hardware.
- The outlook is positive with HCM software vendors Workforce Software and Ultimate Software taking the terminals. A new project with another Tier 1 HCM software vendor saw orders for 1,000 IT51 terminals as well as a five-year SaaS bundle that will help revenue visibility and there are ongoing discussions about a supply agreement for an OEM variant of the GT-10 terminal.
- Asset Protection - Safetell revenue +11.9% to £4.8m a function of the Service Division +34.5%. Product Division revenue fell 2%, a function of the delayed completion of a major project. The H2 outlook for the Products Division is challenging as there are no large projects scheduled and revenue is expected to be lower.
- Brian Beecraft, the Group Finance Director, has provided notice of his intended retirement in October 2019. He has been FD for 21 years.

Allenby Capital comment: Solid H1 performance with a welcome return to profitability. The outlook for Asset Protection is mixed given the absence of major projects in the pipeline as customers, including government departments, delay or cancel planned spending. Management has reduced costs to maintain margins and H2 is likely to consist of smaller repeat orders from existing customers and new smaller projects. The outlook for the Electronic Division is much more positive with the considerable growth in the US in H1, albeit from quite a small base, expected to continue. Growth in H1 was across all variants of NWT's proprietary Linux-based IT Series terminals as well as the first significant sales of the Android-based GT-10 terminal. The adoption of NWT's terminals by major HCM software vendors provide a good route to market.

** Allenby Capital acts as Nomad and Broker to Newmark Security plc.*

Starcom* (STAR.L, 1.5p/£4.4m)

Trading update and receipt of funds (31.01.19)

- FY18 revenue is expected to be +9.9% to \$6.0m with a gross margin of 40% (FY17: 38%) resulting in a EBITDA loss of c. \$40k (FY17: loss \$193k).
- Within this, higher margin and recurring SaaS revenue increased 17.6% to \$2m and the new and more profitable products (Tetis, Kylos and Watchlock) represented 52% of hardware revenue (FY17: 42%), as the company became less dependent on the original Helios product.

- During FY18, STAR launched the Watchlock Cube and the CropX Kylos and major upgrades for Tetis and various Helios adaptations. The company has also deepened its relationships with clients including Bosch, CropX and an unnamed electric motorcycle customer that is planning to launch a new model in 2019 where Helios has been integrated under an OEM agreement.
- Receipt of a down payment from the distributor for a 'significant portion' of the initial \$1.1m order for the delivery of STAR's Helios Advanced units, together with BIO CAN fuel sensors - the first time STAR has deployed this technology in a major project. Delivery of the products is due after the receipt of a further amount.
- Igor Vatenmacher has been appointed to the board as CFO. He had been CFO in a non-board capacity since December 2017.
- Allenby Capital has been appointed as Nomad and Joint Broker.

Allenby Capital comment: Increased revenue and a reduced loss albeit this is below previous market expectations, as flagged in January's trading update. This is mainly a function of delays to the agreement with a distributor in North Africa for an initial order of Helios Advanced units plus related software valued at c. \$1.1m. Delivery was expected in FY18 subject to payment of the majority of the order value prior to delivery. Payment was delayed and hence the hardware component of the order value was not recognised in FY18 but \$0.2m of software was recognised. The receipt of the down payment is encouraging and will help Starcom's balance sheet, which directors describe as 'constrained'. Revenue growth in FY19 is expected to come from SaaS recurring revenue, small repeat orders from the base of 200-300 clients and distributors and larger deals from existing and new clients. The sales pipeline has expanded significantly reflecting the wider product portfolio and increased sales and marketing efforts.

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

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Allenby Capital
5 St Helen's Place London EC3A 6AB
+44 (0)20 3328 5656
www.allenbycapital.com
