



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.

*For the purpose of MIFID II, the content of the following email qualifies as “non-substantive material or services consisting of short term market commentary on the latest economic statistics or company results” and so can be treated as ‘acceptable minor non-monetary benefits’ and not as ‘chargeable research’ per the European Commission’s Delegated Directive of 7.4.2016.*

## **TMT Update 25.02.19 (BOOM.L, MBT.L, MPAY.L, TERN.L)**

### **Audioboom plc\* (BOOM.L, 1.675p/£19.7m)**

#### **Additional funding to secure new and existing podcast content (25.02.19)**

- Raised £1.5m (gross) at 1.3p/share from new and existing shareholders. The proceeds will be used predominantly for upfront payments to secure new established podcast content, re-sign existing podcasts and fund the continued growth of the Audioboom Originals Network. This will help to drive revenue growth in 2019 and beyond.
- Forward in-read advertising bookings and monthly recurring revenue from programmatic advertising and podcast subscriptions for FY19 are strong and already exceed BOOM's total FY18 revenue. The cash position remains stable at similar levels to FY18 year end (\$1.6m).
- Audioboom is now able to forecast revenue for major, established podcasts more accurately based on audience size, advertising sell through rates and average CPM for different content genres as its monetisation model and the podcast industry has developed.
- As a result, BOOM is better able to secure established podcasts by offering competitive recoupable advances and minimum monthly revenue guarantees. Recent content partnerships include Studio71, SBI Audio, Formula 1 and Barcroft Media.

**Allenby Capital comment:** The new funds will enable Audioboom to secure additional established content as well as renewing existing relationships. Audioboom is a proven podcast company hosting more than 13,000 channels as well as developing a slate of Owned and Operated content. Audioboom is also building its base of brand advertisers (160 in December) and has become a trusted partner to the likes of The Economist and Bose. As the podcast industry and Audioboom's monetisation model have matured, Audioboom is better able to forecast revenue returns on investment. As previously discussed, the podcast industry seeing considerable growth - the number of listeners, the number of listens per listener, the engagement with advertisers and an explosion in content. Audioboom is positioned to capitalise.

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

### **Mobile Tornado plc\* (MBT.L, 3.3p/£11.5m)**

#### **FY pre-close: In line performance; commercial & technological progress (20.02.19)**

- H2 trading and hence FY18 trading in line with expectations with revenue growth accelerating during H2 (ACLe H2: £1.7m; H1A: £1.2m) and a significant reduction in adj. EBITDA loss (ACLe H2: £350k; H1A: £0.6m). For FY18, we were forecasting revenue of £2.9m (FY17A: £2.5m) and an adj. EBITDA loss of £950k (FY17A: £1.7m).
- H2 performance was a function of encouraging early sales of a bundled solution under the new capex model (perpetual licence and device) through a major Israeli MNO as well as further enhancements to MBT's technical platform both functionally and in terms of efficiency that has helped to reduce total operating expenses as well as operational gearing.
- The continued enhancements to the product offering is expanding MBT's addressable markets and driving interest in its service. For example, the dual redundant server platform can now be deployed for between \$20k and \$200k enabling customers to support for between 1,000 and 200,000 users with the full set of services (Push-to-Talk, Push-to-Alert, Push-to-Locate and Push-to-Message). This is opening up markets that have been dominated by Digital Mobile Radio and Land Mobile Radio technologies that are more expensive, less flexible and require dedicated devices.
- The Dispatch platform can now handle up to 18 channels simultaneously and this meets the public safety requirements for most government agencies. MBT has also introduced end-to-end encryption based on the AES256 standard, thereby substantially increasing security, and battery consumption has been materially reduced. In March, MBT will launch a recording server to record all private and group calls across the platform.
- No change to forecasts.
- FY results are expected in the week commencing 15 April.

**Allenby Capital comment:** Positive pre-close update from Mobile Tornado with further technological and commercial progress with an acceleration in revenue growth and reduction in losses. The company has the only carrier grade end-to-end instant communications (Push to Talk over Cellular or PoC) service that works over any IP network, transitioning seamlessly across 2G, 3G, 4G and Wi-Fi. Its service offers a broad and deep set of instant communication applications with competitive advantages in availability, performance, capacity, functionality and price over both traditional radio and alternative PoC solutions. The service is offered on both a subscription and capex basis and the progress with newer capex model is encouraging. PoC services have been available for many years but are now being embraced more widely with the proliferation of lower cost devices and associated server infrastructure. PoC offers a lower cost and greater functionality - better voice quality, much larger call groups over wider areas and the potential for integration with other applications.

*\* Allenby Capital acts as Nomad and Broker to Mobile Tornado plc.  
Allenby Capital's research on Mobile Tornado plc is available [here](#).*

## **Mi-Pay Group plc\* (MPAY.L, 10p/£4.6m)**

### **Contract extension and notice of FY results (21.02.19)**

- Five year contract extension with a long-term existing client from January 2019. This client accounted for c. 12% of group revenue in FY18 (c. £0.4m) and grew by 33% in FY18.
- The extension is on broadly similar terms and management expects further growth in transaction volumes as the client's customers naturally migrate to digital payment channels and the client targets wider European growth.
- The client was the first Mi-Pay customer to adopt Apple Pay as an alternative payment method. Mi-Pay will also add a number of European alternative payment methods (Sofort, GiroPay and iDeal). Mi-Pay is able to offer its customers a broad range of alternative methods of payment channels, including PayPal, Amazon

and now Apple Pay as well as more traditional payment processors. Sofort, GiroPay and iDeal are popular payment methods in Europe.

- FY18 results will be announced on 24 April. No change to forecasts or 17.8p/share fair value.

**Allenby Capital comment:** The five-year contract extension secures an important revenue stream and follows the three-year extension signed with 3 Ireland (Mi-Pay's largest customer) in 2017. Although we would assume some reduction in average revenue per transaction (as happened with 3), this should be more than offset by increasing transaction volumes. During FY18, Mi-Pay also agreed new infrastructure leases with its key service providers (transaction processing software and PCI managed services). This has underpinned the stability and scalability of Mi-Pay's infrastructure for the foreseeable future as well as reducing costs by £0.2m p.a. The addition of further payment methods makes Mi-Pay's service more attractive to companies with European operations/ambitions. Meanwhile Mi-Pay continues to offer sector-leading levels of payment success and fraud management and indemnifies its customers. As a result, Mi-Pay is able to charge higher fees compared with traditional payment companies. The strength of the current offering and the growth potential is not reflected in the current share price.

*\* Allenby Capital acts as Nomad and Broker to Mi-Pay Group plc.  
Allenby Capital's research on Mi-Pay Group plc is available [here](#).*

### **Tern plc\* (TERN.L, 13p/£30.8m)**

#### **Second tranche of convertible loan to Device Authority (20.02.19)**

- Following the announcement of 14 January, Tern has paid the second tranche (\$160k) of the \$400k convertible loan note to Device Authority (DA) after the company successfully achieved certain commercial milestones.
- As a result, Tern's total secured loan note position with DA is \$2.1m. The loan is repayable on 30 June 2019, or such other date as may be agreed between DA and the noteholders, to coincide with the other outstanding loan notes.
- Tern has been issued with a further 416,000 warrants with the right to subscribe for one Class A Preference Share of DA at an exercise price of 3.67p per share.
- Separately, DA was identified as a top 20 healthcare tech provider and will be showcased at Embedded World and Fundamental Surgery, where Tern has a 35% stake, has been selected as one of the companies in the Red Herring Top 100 Europe 2019.

**Allenby Capital comment:** Device Authority has developed KeyScaler, an automated IoT Identity and Access Management (IAM) platform, that addresses the challenges of securing applications and devices at scale in order to accelerate IoT adoption. KeyScaler provides trust for IoT devices and the IoT ecosystem with automated device provisioning and registration, token-based authentication, credential management for certificates and passwords and end-to-end security. KeyScaler also protects private keys and crypto keys, prevents unauthorised access and delivers end-to-end data security and confidentiality. Tern has a 57% equity stake in DA as well as £1.3m in loan notes.

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

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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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