

## CORPORATE

Current price 5.05p

Sector TMT

Code (MBT.L)

Listing AIM

### Share Performance



1m 3m 12m  
— MBT.L 2.1% 51.6% -20.8%

Source: Thomson Reuters, Allenby Capital

### Share Data

Market cap (£) 17.6m

Shares in issue (m) 349.2

52 weeks High Low

6.6 3.2

Financial year end 31 December

Source: Company Data, Allenby Capital

### Key Shareholders

InTechnology plc 50.8%

P Wilkinson 10.9%

J Fenn 3.5%

A Kaberry 3.4%

Avi Tooba 1.2%

Source: Argus Vickers

### David Johnson

+44 (0)20 3394 2977

[d.johnson@allenbycapital.com](mailto:d.johnson@allenbycapital.com)

[www.allenbycapital.com](http://www.allenbycapital.com)

## MOBILE TORNADO GROUP PLC (MBT.L)

### Success of new Capex model

Finals from Mobile Tornado (MBT.L), a leading global provider of Push To Talk over Cellular (PoC) solutions, were in line with forecasts and February's trading update with revenue growth (+17.5%) and good cost control resulting in a 49% reduction in adj. EBITDA loss to £0.9m. There was growth both year on year but also H2 over H1 with the success of the new Capex model that bundles hardware and perpetual licences. Recurring revenue was essentially flat. MBT has developed an enterprise-grade platform with a broad and deep set of instant communication applications with competitive advantages in availability, performance, capacity, functionality and price. Technical improvements have expanded the addressable market and management reports numerous engagements with high value Public Safety and Government Agency organisations for the first time as well as new industry verticals that are investigating PoC for worker efficiency applications. The timing associated with these larger deployments are difficult to predict and hence these sit outside our current forecasts. These point to a move into sustained profitability in FY19.

— **FY performance** – Revenue increased 17.5% to £3.0m. Within this, recurring revenue was stable at £2.0m while non-recurring revenue (installation fees, hardware, professional services and perpetual licence fees) doubled to £0.9m. The hardware component depressed GM (89.4% versus 95.8%) but gross profit increased 9.7% to £2.7m. The operating cost base reduced 14.5% to £3.5m as the benefits of the investment in the development and operating efficiencies of MBT's technical platform have come through. Adj. EBITDA loss reduced £0.8m to £0.9m. Net debt of £8.1m (FY17: £9.8m) includes £6.3m of preference shares held by InTechnology, its majority shareholder. During FY18, MBT capitalised £2.5m of short-term debt owed to InTechnology, raised £1.2m in new equity and secured an additional working capital facility of up to £300k to help fund the Capex model.

— **Outlook** – The successful addition of the bundled PTT solution (perpetual software licence, smartphone and dispatch console) has shortened the sales cycle, added a new hardware revenue stream and expanded the addressable market with a lower cost of entry to PTT. This complements the existing recurring licence model. MBT has also invested in its platform for Public Sector applications with greater user and channel capacity, increased security, recording functionality and improved server efficiency to reduce battery consumption. Management reports numerous engagements with potential Public Sector customers. PoC offers functional and cost advantages over traditional radio systems and MBT is positioned to capitalise on this considerable opportunity.

### SUMMARY OF FINANCIALS

Year End: December (£000)	2016A	2017A	2018A	2019E
REVENUE	2,024	2,530	2,974	4,200
ADJUSTED EBITDA	(1,964)	(1,724)	(888)	100
ADJUSTED PBT	(2,807)	(2,534)	(1,715)	(680)
ADJUSTED EPS (P)	(1.02)	(0.64)	(0.41)	(0.18)
PE(X)	NA	NA	NA	NA
NET DEBT	(9,062)	(9,813)	(8,066)	(8,995)

Source: Mobile Tornado Group plc; Allenby Capital. \*Adjusted EBITDA, PBT and EPS exclude non-recurring items

## DISCLAIMER

This document is issued by Allenby Capital Limited (Incorporated in England No.6706681), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority ("FCA") for designated investment business, (Reg. No. 489795) and is a member of the London Stock Exchange.

This document is for information only and should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It or any part of it do not form the basis of and should not be relied upon in connection with any contract. For the purposes of this communication you are a corporate finance contact of Allenby Capital and not a client. As a corporate finance contact Allenby Capital is not acting for you and will not be responsible for providing protections afforded to clients of the Firm or advice on the relevant transaction.

Allenby Capital Limited uses reasonable efforts to obtain information from sources which it believes to be reliable, but the contents of this document have been prepared without any substantive analysis being undertaken into the companies concerned or their securities and it has not been independently verified. No representation or warranty, either express or implied, is made nor responsibility of any kind is accepted by Allenby Capital Limited, its directors or employees either as to the accuracy or completeness of any information stated in this document. This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research; and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

Opinions expressed are our current opinions as of the date appearing on this material only. The information and opinions are provided for the benefit of Allenby Capital Limited clients as at the date of this document and are subject to change without notice. There is no regular update series for research issued by Allenby Capital Limited. No personal recommendation is being made to you; the securities referred to may not be suitable for you and should not be relied upon in substitution for the exercise of independent judgement. Neither past performance nor forecasts are a reliable indication of future performance and investors may realise losses on any investments.

Allenby Capital Limited and any company or persons connected with it (including its officers, directors and employees) may have a position of holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such securities or instrument. Allenby Capital Limited may have been a manager in the underwriting or placement of securities to the issuers of securities mentioned in this document within the last 12 months, or have received compensation for investment banking services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment banking services from such companies within the next 3 months. Accordingly, recipients of this document should not rely on this document being impartial and information may be known to Allenby Capital Limited or persons connected with it which is not reflected in this material. Allenby Capital Limited has a policy in relation to the management of the firm's conflicts of interest which is available upon request.

Allenby Capital Limited shall not be liable for any direct or indirect damages, including lost profits arising in any way from the information contained in this material. This material is for the use of intended recipients only and only for distribution to professional and institutional investors, i.e. persons having professional experience in investments who are authorised persons or exempted persons within the meaning of the Financial Services and Markets Act 2000 of the United Kingdom (such persons who do not have professional experience in matters relating to investments should not rely on this material), or persons who have been categorised by Allenby Capital Limited as Professional Clients or Eligible Counterparties. It is not intended for Retail Clients.

This document is being supplied to you solely for your information and may not be reproduced, re-distributed or passed to any other person or published in whole or in part for any purpose. The material in this document is not intended for distribution or use outside the European Economic Area except in the circumstances mentioned below to recipients in the United States. This material is not directed at you if Allenby Capital Limited is prohibited or restricted by any legislation or regulation in any jurisdiction from making it available to you and persons into whose possession this material comes should inform themselves about, and observe, any such restrictions.

Allenby Capital Limited may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US Institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country's laws for which Allenby Capital Limited does not accept responsibility.

By accepting this document, you agree that you have read the above disclaimer and to be bound by the foregoing limitations / restrictions.

## RESEARCH RECOMMENDATION DISCLOSURE

David Johnson is the author of this research recommendation. David is employed by Allenby Capital Limited as an Equity Analyst.

Tel: 020-3394-2977

Email: [d.johnson@allenbycapital.com](mailto:d.johnson@allenbycapital.com)

Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication.

\* Allenby Capital acts as Nominated Adviser and Broker to the Company

Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at [www.allenbycapital.com](http://www.allenbycapital.com)

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