



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.*

## **Allenby Capital TMT Update 08.07.19 (CPX.L, MIRA.L, BIRD.L, BOOM.L)**

### **CAP-XX Ltd\* (CPX.L, 4.5p/£14.9m)**

#### **Court action settlement and licence agreement (02.07.19)**

- Licence agreement with Cornell-Dubilier Electronics Inc (CDE), whereby it will licence two of CAP-XX's patents on a non-exclusive basis. CDE had been the subject of a court action with CAP-XX over the infringement of its IP.
- CDE is a US based privately owned capacitor manufacturer with over 35,000 customers worldwide. It is also the largest manufacturer of power capacitors in North America.
- The royalty rate received by CPX is described as in line with other licence agreements with third parties but no other financial details were provided due to the confidentiality provisions in the settlement.
- CPX continues with its case against Ioxus for patent infringement.

**Allenby Capital comment:** Positive development and follows on from last October's licence agreement with TDK and together with AVX and Murata CPX now has four licensees of its IP. This demonstrates the value of CAP-XX's intellectual property. As flagged in April's trading update, CPX continues to vigorously defend its IP and portfolio of patents. IP conflict resolution is an active source of new licensees whilst the defence of its IP is part of CPX's duty of care to its contracted licensees. CAP-XX continues to employ a mixed revenue model of licensing its IP to third parties and selling its range of prismatic and cylindrical can supercapacitors direct and is in discussions for applications across multiple sectors including: Automotive (non power train), IoT (Wireless and Track & Trace) and Smart Meters. The forthcoming family of supercapacitors for use with 3V coin cell batteries also creates a significant new market.

*\* Allenby Capital acts as Nomad and Broker to CAP-XX Ltd.*

### **Mirada plc\* (MIRA.L, 0.9p/£7.8m)**

#### **Successful disposal of non-core business (05.07.19)**

- Sale of Mirada Connect Ltd for a cash consideration of £2.1m (gross). Connect provides cashless payment solutions to car park operators in the UK. It was non-core and operated separately from Mirada's main digital TV business.

- Connect has been sold to PayByPhone UK (part of Volkswagen Financial Services), a much larger pay by phone payment operator for parking. Mirada will use the net proceeds for general working capital purposes.
- In the year ended 31 March 2019, Connect recorded revenue of £633k and a PBT of £122k and was valued at £556k on the balance sheet.

**Allenby Capital comment:** Successful disposal of a non-core business that will provide additional working capital as Mirada continues to roll out its Opex/SaaS model for its STB software. The Opex model provides better revenue visibility, a higher lifetime contract value and more closely mirrors its customers' business model. That said, there are some working capital implications as Mirada receives payment much earlier in the traditional 'Capex' model. Mirada's management has been strengthening its balance sheet over the past year and net debt reduced \$6.8m in FY19 to \$4.9m, primarily due to the loan capitalisation and equity funding completed in September 2018. Given the carrying value of Connect on the balance sheet, the disposal will also result in a one-off P&L gain. The consideration, implying a historic EV/Sales of c. 3.5x, compares very favourably with Mirada's rating of 0.8x FY19 EV/Sales and 1.0x on a pro forma basis.

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

### **Blackbird plc\* (BIRD.L, 7.375p/£21.8m)**

#### **Contract win: Global Rapid Rugby highlights (03.07.19)**

- Contract with Corrivium for the use of Blackbird running on Amazon Web Services for the clipping and publishing of highlights of Global Rapid Rugby, a new international rugby competition.
- Corrivium is a live streaming provider that works with major brands to stream live events. Rapid Rugby is using it for the streaming, editing and publishing of highlights to its web site and social channels.
- Rapid Rugby is a new international rugby union competition starting this year with a 14 match showcase series. It features six professional teams from Australia, New Zealand, Fiji and Singapore using a shorter game format.
- No commercial details provided.

**Allenby Capital comment:** Sports represents a core area of focus for Blackbird as it plays to the strengths of the Blackbird cloud editing platform and patented codec - delivering the speed and agility needed to clip, edit and publish highlights in real-time from any location and on any device as the games are being aired live. This contract follows those with the NRL, MSG Networks, IMG, Peloton and Deltatre and there is scope for considerable growth as sports rights holders look to monetise their content.

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

### **Audioboom plc\* (BOOM.L, 242.5p/£34.0m)**

#### **Notice of results (04.07.19)**

- Interim results scheduled for Thursday 18 July.
- Separately, the latest DAX annual report, *The Rise of Digital Audio Advertising*, has been published. This surveys advertisers' and media agencies' views on digital audio in 2019 and beyond and points to increasing advertising spend in digital audio in general and podcasting in particular.
- The survey of executives at media agencies and UK brand owners found that 78% of UK advertisers plan to increase spend across music and digital radio and 75% will increase their spend on podcasts in the next 12 months. 86% of advertising agency executives and 66% of brands reported that they view digital audio as a key part of media strategies.

- In Q1's trading update, announced in April, management reported record quarterly revenue of c. \$4.6m (+180%), brand advertiser count of 178 (+55%), eCPM of \$23.77 (+67%) and total available premium advertising impressions of 305m (+28%).

**We will be conducting meetings on July 22nd. Please advise if you would like to meet with management. Forecasts and recent research are available [here](#).**

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

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### **Allenby Capital "paid for" research services**

***The changes initiated by MiFID II have had far reaching implications on both the quantity and continued availability of research on smaller cap companies, including those within the TMT sector. We would therefore remind interested companies that Allenby Capital can offer a "paid for" research service for those corporates that wish to retain an alternative and authoritative source of research that can be accessed freely by the entire investment community. If you would like further information on this service please contact [d.johnson@allenbycapital.com](mailto:d.johnson@allenbycapital.com).***

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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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