



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 29.07.19 (TERN.L, GETB.L)**

### **Tern plc\* (TERN.L, 12p/£28.4m)**

#### **Investee company update (25.07.19)**

- FundamentalVR (34.7% holding - NAV £1.9m) - order worth c. £0.5m for an additional VR simulation for an unnamed global pharmaceutical company. This is the second order in a planned series of virtual reality simulations designed to accelerate the safe and compliant use of their products. The majority of this order will be completed during 2019. FundamentalVR's platform combines VR with haptics (sense of touch) to create low-cost and scalable simulation experiences.
- Device Authority (56.8% - NAV £11.9m) - partnership with City, University of London, as part of a research collaboration, building connections between industry and academia. DA will also be offering placements for students studying the Internet of Things with Entrepreneurship course. DA is focused on device centric IoT identity and access management (IAM) with its KeyScaler platform that automates the provisioning of device security.

**Allenby Capital comment:** Ongoing progress at Tern's two largest investee companies. Tern provides AIM-listed exposure to the rapid growth of the IoT market, the US West Coast ecosystem and the associated potential valuation levels. Tern has focused on the Medical and Manufacturing sectors that offer long term structural growth potential with an emphasis on security, applications enablement and data analytics. Its model is to take meaningful stakes in proven UK software companies where it can add value through its experienced management team.

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

### **GetBusy plc (GETB.L, 43p/£21.8m)**

#### **Meeting with management: Revenue visibility & growth opportunity (23.07.19)**

- Meeting with management on the back of interims from the provider of document management and productivity software products. GetBusy was spun out of ASX-listed Reckon and listed on AIM in August 2017. The company has a global footprint (key markets are the US, UK and Aus/NZ), it has largely transitioned to a SaaS model and is targeting a large addressable market of SMEs typically accountants and book keepers. GetBusy has very little customer concentration with c. 66k users and very low churn rates (<0.5% per month).

- It currently has two products: SmartVault (SV - pure cloud delivery, mainly US and high growth opportunity) and Virtual Cabinet (VC - hybrid model, more established product, profitable, UK/ANZ but expanding into US). GetBusy, its communication and productivity software (task management/delegation, internal chat etc), is currently in beta.
- H1 recurring revenue increased 20% to £5.4m and total revenue +19% to £6.2m. Adj. loss before tax reduced 42% to £0.3m and net cash by £0.4m to £1.9m. SV revenue increased 29% to £2.0m and VC by 15% to £4.1m. VC adjusted profit +65% to £1.5m. Paid users +12% in H1 to 66k and annualised monthly revenue +20% to £11.4m providing good revenue visibility.
- VC secured its two largest deals to date in H1 - a leading UK insolvency services provider and a member firm of the BDO Alliance in the US. Sales are being helped by integration with popular practice management systems. Adj. loss at SV increased £0.2m to £0.4m reflecting increased spend on customer acquisition - LTV:CAC was 4:1 overall, c. 8:1 in the more mature US.
- Total spend of £0.6m on GetBusy (70% development/30% marketing and operational infrastructure). Functional enhancements are being made on the back of the beta programme. Monetisation strategy yet to be finalised.
- Potential share register rationalisation. The company has c. 3,500 shareholders in ANZ that collectively hold c. 15% of the total share capital, a function of the 2017 spin out. The cost of trading these shares is disproportionate to the holding values - £300 on average.

**Allenby Capital comment:** Positive H1 performance with the more established Virtual Cabinet demonstrating revenue growth, improved operating margin and cash generation; SmartVault accelerating revenue growth, expansion into UK, a good return on sales and marketing investment and a path to medium term profitability. The GetBusy product represents a major revenue opportunity although the market for next generation productivity tools is fairly congested (Basecamp, Asana, Slack, Trello, Todoist etc). Shares responded positively to the results but the FY19 EV/Sales rating of 1.6x falling to 1.5x in FY20 is not demanding for a business with 88% recurring revenue.

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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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