



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 - 06.01.20 (MBT.L, CPX.L)**

### **Mobile Tornado Group plc\* (MBT.L, 3.50p/£13.3m)**

#### **FY trading update: Deployment delays impact FY19 performance (03.01.20)**

- H2 revenue is expected to be c. £1.8m (H1 £1.5m) and approximately breakeven at the EBITDA level (H1 loss: £0.3m). As a result, FY19 revenue is expected to be £3.3m (ACLe £4.2m) with an EBITDA loss of £0.3m (ACLe: £0.1m profit). During H2, £0.75m (gross) was raised via subscription and £0.8m of debt was converted into equity.
- The performance shortfall was mainly the function of delays in the full deployment of MBT's PoC (Push to Talk over Cellular) with a government agency and a major public utility in Israel. Although the commercial terms have been agreed and significant development work completed, full deployment in the field has been delayed until early 2020.
- MBT has undertaken significant product development during 2019, including encryption, a new cyber security platform and a new recording system, to meet the requirements from customers for a mission critical communications system. In spite of this, the cost base has remained under control.
- Interest in PoC is increasing with the enhanced features and functionality, a much lower cost of ownership than old analogue/radio and the prospect of legacy iDEN networks being decommissioned.
- Results are scheduled for the week commencing 6th April.

**Allenby Capital comment:** Frustrating outcome for FY19, although MBT achieved revenue growth in H2 over H1 and FY19 over FY18 and this, combined with good cost control, meant the company was EBITDA breakeven in H2 - an important milestone. The delayed deployments represented major strategic wins for MBT during FY19 and demonstrate that MBT's PoC solution is able to win against traditional radio systems for mission critical communications systems in the public safety markets. MBT is able to offer a fast, scalable, secure, high function and efficient PoC solution at a significantly lower total cost of ownership. The outlook for 2020 is positive with management points to a good pipeline of potential opportunities as well as the delayed deployments.

*\* Allenby Capital acts as Nomad and Broker to Mobile Tornado Group plc.*

### **CAP-XX Ltd\* (CPX.L, 3.275p/£9.6m)**

#### **Acquisition update: Offer to qualifying participants completed & GM approval (24.12.19 & 30.12.19)**

- The Offer to Qualifying Participants, as announced on November 29, raised c. £0.67m at 3p/share. This was in addition to the £2.75m (gross) that was conditionally raised at 3p/share via November's placing and subscription.

- The total funds raised are being used to acquire, relocate and recommission certain supercapacitor manufacturing assets from Murata, a long-standing CAP-XX IP licensee, as well as working capital.
- The resolution put to shareholders was duly passed on December 30th at the General Meeting and application was made for 113.9m new ordinary shares to be issued. These were admitted for trading on January 3rd and the total number of shares in issue is now 438.4m.
- No change to [forecasts](#).

**Allenby Capital comment:** As discussed in our November [note](#), the transaction represents a unique opportunity to transform CAP-XX's profitability by increasing sales and gross margin at the product level for a minimal capital outlay and enable CAP-XX to fulfil the record level of sales enquiries. The deal provides access to established product designs, proven third generation manufacturing assets and potential customers in CAP-XX's target small form factor markets. It should also help with CAP-XX's licensing strategy and accelerate its 3V roadmap.

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

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#### **Research recommendation disclosure**

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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