



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 - 13.01.20 (ECSC.L, TERN.L, MWE.L)**

### **ECSC Group plc\* (ECSC.L, 145p/£13.0m)**

#### **Contract wins: Good start to FY20 (09.01.20)**

- Five major contract wins across a range of sectors, with combined revenue of >£750k that will be recognised over contract durations of one and three years.
- The largest contract is to provide 24/7/365 cyber security monitoring and breach detection, following ECSC's response to a major security incident within a chemical company. The Managed Services solution utilises ECSC's proprietary Kepler Artificial Intelligence, managed from the Group's Security Operations Centres (SOCs) in the UK and Australia.
- Three other Managed Services contracts comprise a two-year renewal in the retail sector, a new three-year contract with an IT services company, and a one-year extension with a financial services organisation.
- Final contract is a cyber security testing programme for a new client providing mobile payment solutions.
- No change to [forecasts](#) and 155p/share fair value.

**Allenby Capital comment:** Good start to FY20 with growth in ECSC's Managed Services business line and further evidence of ECSC's strategy of converting Consultancy clients into Managed Services clients ('land and expand'). Managed Services offers considerably greater revenue visibility and pushes up gross margins through the higher utilisation of ECSC's two SOC's. ECSC has a measured use of AI and automation, with Kepler filtering the huge volumes of log reports and referring a subset to ECSC's staff for further investigation. Cyber security remains high on the corporate agenda with the number of high-profile attacks (including the recent Travellex/Finabl ransomware attack) and the threat of fines under the GDPR regime. Attacks continue to increase in both volume and sophistication and many corporates are concluding that outsourcing represents the only cost-effective option. ECSC has developed a comprehensive service offering coupled with an experienced and settled team and continues to take share in a growing UK market.

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

### **Tern plc\* (TERN.L, 9.5p/£27.0m)**

#### **Contract win for InVMA (13.01.20)**

- InVMA, a Tern portfolio company, has secured an initial order commitment worth £817k over a two-year period for the provision of its AssetMinder solution to a major European supplier to the industrial and construction sectors. The contract represents the start of a global partnership.

- AssetMinder will be used to deliver a condition-monitoring offering for the smart manufacturing and process industries and other asset management that incorporates predictive analytics to maximise uptime and productivity.
- Tern has a 50% holding in InVMA that was valued at £1m at H1.

**Allenby Capital comment:** Significant contract win for InVMA and its AssetMinder product that provides a flow of data from devices (data points, alarms and alerts) in the Industrial Internet of Things (IIoT) sector. This data is used to maximise uptime through preventative maintenance and early problem diagnostics. InVMA has been targeting OEMs for AssetMinder and, through the OEM channel, to end users as a way to increase the number of assets being monitored.

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

**MTI Wireless Edge Ltd\* (MWE.L, 39p/£33.8m)**

**Additional contract win: Military antennas (10.01.20)**

- Additional contract win in the Antenna division for the supply of military antennas worth c. \$0.6m and for delivery within the next 12 months. The original order, received in March 2019, was worth \$1m with delivery over 40 months.
- No change to [forecasts](#) and 46p/share fair value.

**Allenby Capital comment:** Positive newsflow and although the additional contract is not material against our FY20 revenue forecast (\$43.4m), the faster delivery schedule suggests that the customer is happy with MTI's product and service offering. As previously noted, MTI's management is reporting growth and expansion opportunities in all sectors of the antenna industry, particularly in the 80 GHz spectrum as mobile operators start to implement the roll-out of their 5G networks and where MTI has developed a series of innovative dual band flat and parabolic backhaul antennas.

*\* Allenby Capital acts as Nomad and Joint Broker to MTI Wireless Edge Ltd.*

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

*The changes initiated by MiFID II has 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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#### **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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