



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.

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Allenby Capital TMT Update - 09.03.20 (TERN.L, CPX.L, MWE.L, STAR.L, BBSN.L)

Tern plc* (TERN.L, 7.75p/£20.9m)

Subscription to raise £0.8m (09.03.20)

- Subscription to raise £0.8m at 6p/share that will be used to facilitate a new investment, strengthen Tern's balance sheet for any follow on investments and for general working capital. Tern directors, senior executives and family members have agreed to invest c. £113k.
- It has also been agreed in principle by all noteholders that the maturity date of all convertible loan notes provided to portfolio company Device Authority has been extended to 30 September. The outstanding loan from Tern to Device Authority currently stands at \$3.6m.

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

CAP-XX Ltd* (CPX.L, 2.85p/£9.2m)

Notification of interims and update (04.03.20)

- H1 revenue of A\$1.9m (+21%) were in line with management expectations and net cash at the end of February was A\$6.4m following November/December's placing and offer that raised c. £3.4m in aggregate. Management also reports good progress on licensing and litigation-related activities.
- The project to transfer the former Murata manufacturing assets to Sydney remains on schedule and within budget. The first shipment occurred on schedule in March and the initial consideration has been paid. The final shipments are expected to leave Murata in April. The lease on CAP-XX's new manufacturing facility has been signed and the recruitment of personnel has been largely completed.
- Interim results are scheduled for Monday 16 March.
- No change to [forecasts](#).

Allenby Capital comment: Encouraging update particularly around the transfer of the manufacturing assets from licensee Murata. As discussed in our November [note](#), the acquisition 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. 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*

MTI Wireless Edge Ltd* (MWE.L, 34.5p/£30.3m)

Finals (02.03.20) and contract renewal (05.03.20)

[Note published](#)

- Service agreement renewal signed by Mottech worth c. \$0.9m over two years for one the five largest municipalities in Israel and one of Mottech's largest service customers. There is an option to increase the term for up to a further three years (a total value of \$2.3m over five years).
- The municipality has used Mottech for more than 20 years and reports a reduction in operating and maintenance costs and the avoidance of water wastage (representing an estimated saving of >50%).
- No change to [forecasts](#) that were upgraded with the pre-close trading update earlier this month.

Allenby Capital comment: MTI Wireless Edge, the provider of communications and radio frequency solutions, is seeing demand for its products and services across multiple geographies and sectors. FY19 performance was in line with forecast with revenue up 13% to \$40.0m (ACLe: \$39.8m) and PBT +29% to \$3.4m (ACLe: \$3.6m). Operating cash flow was very strong up 148% to \$5.6m (ACLe: \$4.2m) and net cash increased \$3.3m to \$7.7m (ACLe: \$5.7m). Distribution and Professional Consulting Services performed well (+35% to \$11.5m) and Mottech continues to grow (+15.5% to \$16.5m). MTI is positioned to capitalise on three global trends: the adoption of 5G networks; climate change concerns driving water management; and increased defence spending. Forecasts and 46p/share fair value, equivalent to a 13x FY21 PER, remain unchanged and we view the recent share price retracement as an attractive opportunity for a company with a profitable track record cash on the balance sheet and yielding 6.3% in FY20.

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

Starcom plc* (STAR.L, 1.275p/£4.4m)

Finals: Maiden adj. EBITDA profit; positive outlook (02.03.20)

[Note published](#)

Allenby Capital comment: Starcom delivered FY19 results comfortably in line with forecasts. Revenue increased 14% to \$6.8m, gross margin was stable at 41% (FY18: 40%) and there was a \$0.3m positive swing in adj. EBITDA that resulted in the company's maiden profit. Management is upbeat on the prospects for Lokies, its intelligent reporting padlock, following the successful launch in April 2019. The company is also demonstrating good traction with the higher margin versions of Helios as well as the other newer generation products, Tetis and Kylos. Starcom has a proven product portfolio of advanced wireless solutions for the remote tracking, monitoring and protection of assets and people. It has also demonstrated the ability to develop innovative products that combine multiple communications techniques for specific applications. Meanwhile the number of connected devices continues to grow rapidly with the rise of the Internet of Things. Forecasts that were upgraded with the pre-close in February remain unchanged.

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

Brave Bison plc* (BBSN.L, 1.15p/£7.0m)

JAPAC appointment (04.03.20)

- Appointment of Caroline Campbell Troman to the newly created position of Executive Vice President and Managing Director for JAPAC. She was previously GM for APAC.

- Brave Bison has performed well in the JAPAC region with the company expanding into Japan and South Korea and this has helped to increase revenue by 115% in the region. Campaigns have been carried out for clients including SK-II, LEGO, Accor Hotels, Land Rover and Uniqlo. The local team has also been expanded.
- Caroline will focus on growth within Japan, South Korea and Thailand with a view to expanding into China in 2021 and manage the existing relationships with YouTube, the wider Google company, and Unruly. Brave Bison will also open a Singapore HQ with its own studio in 2020 in order to create original content.

* Allenby Capital acts as Nomad and Broker to Brave Bison plc.

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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.

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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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