



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 - 11.05.20 (TERN.L, GFIN.L, MIRA.L, BBSN.L)**

### **Tern plc\* (TERN.L, 10.0p/£27.0m)**

#### **Finals and portfolio company investment (05.05.20)**

- Finals (December) from Tern saw net asset growth of 13% to £18.9m (7.0p/share; FY18: 7.1p/share), including a portfolio value increase of 20%. Revenue at the principal companies (Device Authority, FundamentalVR, InVMA and Wyld Networks) increased 27% and headcount by 31% as they scale up commercial activities. Revenue growth would have been higher but there was some slippage in orders in Q4.
- Additional capital of £3.25m was raised during the year, with £2.5m deployed to portfolio companies. Year-end cash was £1m and this was bolstered by a further £0.8m placing in March.
- **Device Authority** (56.8% holding; \$3.3m loan) has expanded and refined its indirect channel resulting in a growth in product sales and active customer engagements. It has focused on the verticals of Medical, Industrial and Automotive IoT. It has also developed a Microsoft Azure IoT central connector for KeyScaler that facilitate sales into the large Azure customer base.
- **FundamentalVR** (26.9% holding) secured a £4.3m Series A fundraise, including a £0.5m convertible loan note conversion by Tern, at a post-money valuation of £11.3m. FundamentalVR's Virtual Reality Haptic Simulation platform technology is being used by medical device and pharmaceutical companies and medical centres.
- **InVMA** (50% holding; £50k loan) has transitioned from purely engineering design and services to a product company with an experienced services component. In January 2020, InVMA announced an initial order for its AssetMinder product to a multinational product supplier to the global industrial and construction markets.
- **Wyld Networks** (100% holding; £0.9m loan) has its products operating in more than 300,000 smart meters and with its mesh platform, it has established a unique and value enhanced product suite, delivering resilient and low latency mesh networks (smartphone to smartphones, smartphones to IoT devices) that can be used in multiple markets (Events, Retail, Transportation, Healthcare and Smart Buildings). It has entered in agreements with Delta-T Devices (Agritech) and Develco (smart meters) among others and has signed a contract with a major satellite operator to co-design, develop and market software solution to enable direct sensor to satellite connectivity using LoraWan as the wireless protocol.
- Separately (07.05.20), Tern announced that Wyld Networks had secured £400k via Convertible Loan Notes from a third-party investor for working capital purposes. The 5% notes are convertible into Wyld shares on the completion of an exit or Wyld equity fundraise of ≥£1m within the next 12 months at a 20% discount and/or into Tern shares at a 15% discount to Tern's five day average closing price.

**Allenby Capital comment:** Good progress across the company's four main investee companies and the external investments in FundamentalVR and Wyld represent important milestones for the management strategy. IoT represents a core area of global tech growth and Tern provides investors with exposure to a variety of aspects and sectors.

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

### **Gfinity plc\* (GFIN.L, 1.45p/£10.2m)**

#### **BT Sports partnership for new esports series (11.05.20)**

- Partnership with BT Sport to co-produce The BT Sport FIFA Challenge, a new entertainment based competitive gaming series around EA Sports FIFA20 game. The series will comprise four teams and will feature sports players including Robbie Savage, Joe Cole and Ugo Monye. Chelcee Grimes, singer, songwriter and Fulham Ladies player, will captain a Women's team.
- The six episodes began with a draft show (8th May) where each squad selected their FIFA20 team, followed by five one-hour episodes with the Grand Final aired on 5th June. All episodes will be shown on BT Sport.
- Gfinity and BT Sport will co-produce the series with each episode produced remotely using BT's newly developed remote technology. Under the partnership, Gfinity and BT Sport will also work together to oversee the gaming content and competition elements of the show.
- The two companies will continue to work together to create new esports and gaming-based content shows.
- Forecasts are currently under review.

**Allenby Capital comment:** COVID-19 and the absence of physical sports contests has accelerated the adoption of esports by broadcasters, sports rights holders and brands. This has been evidenced by Gfinity's involvement in new content for Formula 1, across its eCricket series and with FIFA20 and is currently working with Sky, BBC and BT. The format has also enabled fans to engage with traditional sports players in a different way and we believe that esports will continue to have an important role to play once traditional sports resume. Gfinity is positioned to capitalise on this demand for exports content given its experience in creating and operating high quality events and today's announcement fits with the company's strategy of creating new content.

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

### **Mirada plc\* (MIRA.L, 95p/£8.5m)**

#### **Product launch: Substantially enlarged addressable market (11.05.20)**

- Launch of Iris in Swift Mode, a version of Mirada's Iris end-to-end multiscreen software that will enable smaller operators and content owners to deploy a competitive, cloud-based video service with rapid time to market and low upfront costs.
- Available in standard or plus versions, Swift Mode delivers live and on-demand content across a wide variety of devices including smartphones, tablets, laptops, Android set top boxes, smart TVs and Google Chromecast. It includes all the advanced features of Iris, such as cDVR (cloud Digital Video Recorder), advanced remote-control functionality, Live2VoD and content discovery, promotion and advertising features.
- Customers can also access Mirada's LogIQ analytics and Swift will incorporate Mirada's Evolver UX (user experience) tool that enables operators to change the way its offering is presented and promoted to different groups of subscribers in real time. The cloud-based service ensures that new features can be added quickly and operators can scale their service. There are also some third-party components included.
- Forecasts currently under review.

**Allenby Capital comment:** Iris in Swift Mode substantially expands Mirada's addressable market and enables smaller operators to offer their subscribers a similar viewing experience to the largest digital TV operators and broadcasters and OTT providers. The cloud-based architecture ensures that operators can keep their services up to date and the opex charging model mirrors their own subscription service model. COVID-19 has led to a surge in digital content consumption and operators need to ensure that their services meet the expectations of their subscribers and the features of OTT providers, such as Netflix.

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

## **Brave Bison plc\* (BBSN.L, 1.3p/£8.0m)**

### **Board appointments (06.05.20)**

- Permanent appointments of Oliver Green as Non-Executive Chairman and Philippa Norridge as Chief Financial Officer with immediate effect.
- Green has been a Non-Executive Director and Interim Chairman since December 2019. He is also MD and a significant shareholder of marketing agency Tangent Marketing Services. Tangent Group companies and Oliver Green hold 27% of Brave Bison in aggregate.
- Norridge has been a Director and Interim CFO since February and most recently was FD at Tangent. She has resigned her FD position at Tangent but remains a director for a short handover period.
- Forecasts currently under review.

*\* 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](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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