



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 - 08.06.20 (GFIN.L, BIRD.L, TERN.L, TPX.L)**

### **Gfinity plc\* (GFIN.L, 1.625p/£14.0m)**

#### **JV: Further expansion into motorsports (04.06.20)**

- Five-year agreement with Abu Dhabi Motorsport Management (ADMM) to design, develop and deliver a new virtual motorsport (esports) racing championship (ERC). The ERC will be jointly owned by Gfinity and ADMM.
- The ERC will have a unique format and will feature professional simulation racing drivers with a roster of teams from digital motorsport. There will be two seasons per calendar year with the inaugural season taking place in 2020. The races will be hosted by Gfinity with drivers joining remotely and competing in a bespoke, single seater car. Gfinity's proprietary Race Control technology will be used for in-race adjudication and for data feeds for fans.
- Gfinity will be paid for the provision of services, including production and tournament operations. The JV partners will be responsible for commercialisation (media rights, sponsorship etc) and share revenue.
- The Gfinity Digital Media group will work with ADMM's marketing and social media teams to build new channels and a base of global racing fans under the ERC brand. This will be supported by Gfinity's existing global gaming community and sites, including the recently launched Arabic [www.realgaming.me](http://www.realgaming.me) that was created in partnership with YaLLa Esports in April.
- Forecasts are currently under review.

**Allenby Capital comment:** The agreement fits with Gfinity's strategic focus on motorsports where the company has considerable expertise and ties in well with April's agreement with YaLLa Esports to grow the reach of RealGaming101 in MENA. The JV and multi-year structure demonstrate the value that Gfinity brings. Gfinity and ADMM will share the revenue from the commercialisation of the content – media rights, sponsorship etc - whilst Gfinity will be paid for design, production and tournament operations. The revenue share offers considerable upside. ADMM is an important player in motorsports, operating the Formula 1 Abu Dhabi Grand Prix. It is based at the Yas Marina Circuit and plans and delivers >400 events per annum (motorsports, health and fitness, and corporate events). The absence of live events has accelerated the investment by traditional sports rights holders and media companies into esports as a means of reaching a younger demographic. Gfinity has proven skills in designing and delivering quality events and growing a substantial esports audience.

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

### **Blackbird plc\* (BIRD.L, 16.5p/£55.4m)**

#### **Contract win: Whisper strengthens position in sports (04.06.20)**

- Contract with Whisper Group, a leading entertainment and sports content broadcast company, for the use of the Blackbird cloud-based video editing and publishing platform to remotely edit and enrich documentaries, interviews and behind-the-scenes long form content, including Formula One, with file-based content. The production team will also use the Blackbird Player to view, comment on and approve content from anywhere.
- Whisper was co-founded by David Coulthard, Jake Humphrey and Sunil Patel. Formula One is its main sport but its portfolio includes the Rugby World Cup, the Women's Six Nations, the Paralympics, W Series racing, the NFL and SailGP plus branded and unscripted content. It recently recruited Michael Vaughan to its advisory board to grow its cricket output and Sony Pictures Television invested in Whisper in February.
- No commercial terms were provided.

**Allenby Capital comment:** The contract represents another high profile endorsement in the sports sector following the contracts with Liverpool FC and Arsenal FC in April. Sports represents a key vertical market for Blackbird as its cloud-based editing software offers the fastest codec on the market enabling customers to rapidly edit and publish video clips and highlights - a key consideration for live content. During the current absence of live events and travel restrictions, it also enables editors to work remotely, irrespective of bandwidth considerations, to create new content from archive material.

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

### **Tern plc\* (TERN.L, 11.5p/£31.1m)**

#### **Portfolio update (02-04.06.20)**

- **Device Authority** (02.06.20): Launch of its latest KeyScaler software release that includes support for Microsoft Azure Single Sign-On (SSO) and a new connector for Ericsson's Connected Vehicle Cloud. The release allows KeyScaler to use Azure AD accounts to authenticate users to the KeyScaler Control Panel and helps to simplify user management for existing Azure customers.
- **InVMA** (04.06.20): Partnership agreement with Senseye, an industrial software company specialising in predictive maintenance. Senseye customers will now be able to more easily and cost-effectively capture and share shop-floor and machine performance data, driving better Predictive Maintenance insights. InVMA's AssetMinder and ThingWorx customers will benefit from Senseye's proven proprietary machine-learning algorithms to automatically forecast machine failure and remaining useful life. InVMA will also resell Senseye's predictive maintenance software suite, Senseye PdM.
- **FundamentalVR** (03.06.20): Management reports interest from a number of academic medical programmes on how VR training can enable their orthopaedic students to continue studies remotely. This follows the cancellation of elective surgeries and the scaling back in face to face teaching in response to CV-19. In March, FundamentalVR released its @HomeVR modality, the only training solution to bring simulations accredited by the American Academy of Orthopaedic Surgeons to standalone VR headsets.

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

### **The Panoply Holdings (TPX.L, 72.5p/£39.9m)**

#### **Meeting with management: Public Sector growth ambitions (03.06.20)**

- Meeting with management of the provider of digital transformation services on the back of the recent contract win and trading update (26.05.20). The company announced then that its FutureGov subsidiary had secured a digital transformation contract worth \$5.2m over 14 months with a large, global philanthropic organisation.

- Coming into FY21 (March), TPX reported a confirmed backlog deliverable in the year, including annualised recurring revenue, of c. £15m. New business wins (including the contract above) of £9.5m and the majority is scheduled for delivery in FY21. TPX is currently 70% Public Sector.
- Good start to FY21 with organic revenue growth on a LfL pro forma basis (Q1 FY20 pro forma of c. £9.1m) - consensus of £37.2m and adj. EBITDA of £3.1m for the FY. Q1 margins are expected at pre-CV-19 levels, driven by the volume of new work secured. Cash has continued to increase as Q4 trade debtors are being collected (cash of £6.2m at April 24th - FY20: £4.5m). Staff utilisation has remained at normal levels (c. 70%) and no staff have been furloughed. TPX has been actively engaged in a number of CV-19-related projects.
- Acquisitions made to date have traded in line with expectations and hence the deferred consideration of c. £17m in shares will become payable, expected in July.
- Management reiterated its ambition to achieve £100m run rate revenue by March 2023, deliver £12m to £14m EBITDA and operate a progressive dividend policy (15-20% of net income). This growth will be achieved organically (10% to 15% per annum) through securing new customers and upselling. Acquisitions will also feature - the company has made nine to date - and are likely to be structured through a mix of cash and shares, with the weighting towards shares (30:70). Management believes there is a large pool of opportunities where founders share the TPX vision and would benefit from being part of a larger business. Acquisitions will add further capabilities around the Microsoft stack and CRM and bolster capabilities in the Public and adjacent sectors.

**Allenby Capital comment:** The Panoply Group has grown rapidly through nine acquisitions and now has more than 400 staff across ten businesses. There is increasing evidence of these businesses combining to secure larger tenders (e.g. Camden Council, Food Standards Agency and NHSx). The initial/deferred consideration model means that acquired businesses will operate standalone initially but there is a plan to bring them together behind a smaller number of brands as earnouts are completed, benefiting operational leverage. Some potential investors will be put off by the buy and build strategy and the dangers associated with integration. There may also be a perceived stock overhang as lock ups come off. That said, digital transformation services represent a large and growing market as public and private organisations look for substantial efficiencies and to offer new services. CV-19 has demonstrated the need to move many Public Sector services online and also deliver new systems much more rapidly than available with traditional development cycles.

=====

### **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).*

=====

#### **DISCLAIMER**

Allenby Capital Limited ("Allenby") is incorporated in England no. 6706681; is authorised and regulated by the Financial Conduct Authority ("FCA") (FRN: 489795) and is a member of the London Stock Exchange. This communication is for information only it should not be regarded as an offer or solicitation to buy the securities or other instruments mentioned in it. It is a marketing communication and non-independent research, and has not been prepared in accordance with the legal requirements designed to promote the independence of investment research, and is not subject to any prohibition on dealing ahead of the dissemination of investment research. The cost of Allenby research product on independent companies is paid for by research clients.

This communication is for the use of intended recipients only and only for distribution to investment professionals as that term is defined in article 19(5) of The Financial Services and Markets Act 2000 (Financial Promotion) Order 2005. Its contents are not directed at, may not be suitable for and should not be relied upon by anyone who is not an investment professional including retail clients. Any such persons should seek professional advice before investing. For the purposes of this communication Allenby is not acting for you, will not treat you as a client, will not be responsible for providing you with the protections afforded to clients, and is not advising you on the relevant transaction or stock. This communication or any part of it do not form the basis of and should not be relied upon in connection with any contract.

Allenby uses reasonable efforts to obtain information from sources which it believes to be reliable. The communication has been prepared without any substantive analysis undertaken into the companies concerned or their securities, and it has not been independently verified. No representation or warranty, express or implied is made, or responsibility of any kind accepted by Allenby its directors or employees as to the accuracy or completeness of any information in this communication. Opinions expressed are our current opinions as of the date appearing on this material only and are subject to change without notice. There is no regular update series for research issued by Allenby.

No recommendation is being made to you; the securities referred to may not be suitable for you and this communication should not be relied upon in substitution for the exercise of independent judgement. Neither past performance or forecasts are a reliable indication of future performance and investors may realise losses on any investment. Allenby shall not be liable for any direct or indirect damages including lost profits arising from the information contained in this communication.

Allenby and any company or persons connected with it, including its officers, directors and employees may have a position or holding in any investment mentioned in this document or a related investment and may from time to time dispose of any such security or instrument. Allenby may have been a manager in the underwriting or placement of securities in this communication within the last 12 months, or have received compensation for investment services from such companies within the last 12 months, or expect to receive or may intend to seek compensation for investment services from such companies within the next 3 months. Accordingly, recipients should not rely on this communication as being impartial and information may be known to Allenby or persons connected with it which is not reflected in this communication. Allenby has a policy in relation to management of conflicts of interest which is available upon request.

This communication is supplied to you solely for your information and may not be reproduced or redistributed to any other person or published in whole or part for any purpose. It is not intended for distribution or use outside the European Economic Area except in circumstances mentioned below in relation to the United States. This communication is not directed to you if Allenby is prohibited or restricted by any legislation or registration in any jurisdiction from making it available to you and persons into whose possession this communication comes should inform themselves and observe any such restrictions.

Allenby may distribute research in reliance on Rule 15a-6(a)(2) of the Securities and Exchange Act 1934 to persons that are major US institutional investors, however, transactions in any securities must be effected through a US registered broker-dealer. Any failure to comply with this restriction may constitute a violation of the relevant country's laws for which Allenby does not accept liability.

By accepting this communication, you agree that you have read the above disclaimer and to be bound by the foregoing limitations and restrictions.

#### **Research recommendation disclosure**

David Johnson is the author of this research recommendation. David Johnson is employed by Allenby Capital Limited as an Equity Analyst.

Unless otherwise stated the share prices used in this publication are taken at the close of business for the day prior to the date of publication. Information on research methodologies, definitions of research recommendations, and disclosure in relation to interests or conflicts of interests can be found at [www.allenbycapital.com](http://www.allenbycapital.com).

**Allenby Capital**

**5 St Helen's Place London EC3A 6AB**

**+44 (0)20 3328 5656**

[www.allenbycapital.com](http://www.allenbycapital.com)

---