



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 - 11.07.22 - ENSI.L, CPX.L, OSI.L, ECSC.L, TRAK.L

EnSilica plc* (ENSI.L, 45p/£34.2m)

Team hire and supplier partnership agreement (11.07.22)

- EnSilica has hired an ASIC implement team of six engineers and the purchase of related non-core IP assets from Blu Wireless Technologies Ltd for a non-material cash payment.
- The addition will strengthen EnSilica’s presence in advanced node ASIC design and implementation. The team will be based in EnSilica’s new Bristol facility, opening in July. Bristol has a strong pedigree for semiconductor technology.
- EnSilica will also partner with Blu Wireless on its high-performance communication HYDRA system IP solution, acting as a ASIC design and fabless semiconductor supplier.
- Blu Wireless is a private company and has raised c. \$30m since 2019 and shareholders include Arm, Renesas, Guinness Ventures and Calculus Capital. It specialises in wireless mmWave multi-gigabit applications in defence, 5G cellular networks, smart cities and high speed transport.
- No change to [forecasts](#) as these had assumed hiring on the back of the IPO.

Allenby Capital comment: EnSilica has worked with the team of engineers at Blu Wireless previously and EnSilica also has a track record of picking up teams as they become available. The hiring strengthens EnSilica’s presence in advanced node ASIC implementation and EnSilica will have a presence in Bristol, a hub of semiconductor engineering. The ongoing relationship with Blu Wireless will also enhance EnSilica’s offering in the satellite communications and 5G markets, where Blu has developed low power consumption, multi-gigabit backhaul products.

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

CAP-XX Ltd* (CPX.L, 3.9p/£19.9m)

FY trading update: In line performance; encouraging outlook (07.07.22)

- FY22 (June) in line with forecasts. Revenue +31% to A\$5.6m (ACLe: A\$5.8m) and adj. EBITDA loss of A\$0.7m (ACLe: A\$0.7m). Product sales increased 39% to A\$4.9m, with the balance from Licence & Royalties.
- Legal fees associated with the ongoing AVX and Maxwell court cases were A\$2.4m, c. A\$2.0m higher than expected, as the cases moved closer to resolution and legal fees were incurred sooner than expected. CPX has now secured litigation funding that is expected to be in place to cover legal fees in FY23.

- Cash of A\$1.6m (ACLE: A\$2.5m; H1 FY22: A\$5.1m) reflecting the higher than expected legal fees. We anticipate a R&D tax rebate of c. A\$2.0m in H1 FY23 (FY22: A\$3.2m).
- Encouraging outlook for FY23 with increasing demand for DMF and DMT products, cylindrical supercapacitors and traditional supercapacitors made in Malaysia. CPX has also expanded the product set with the recently announced Lithium-ion capacitor (hybrid supercapacitor) and expanded its distribution network. Completion of the commissioning of the DMH line is expected to be completed around the middle of 2023.
- P&L [forecasts](#) for FY13 remain unchanged and fair value of 13p/share, with any successful outcome of the litigation as potential additional upside.

Allenby Capital comment: FY22 P&L performance in line with forecasts. Increased legal fees depressed cash but securing litigation funding going forward is an important step and the company remains confident about favourable outcomes. Good growth in product sales and the company continues to expand its addressable global market through product launches/enhancements (hybrid and the forthcoming 3V supercapacitors) and routes to market.

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

Osirium Technologies plc* (OSI.L, 6.25p/£2.9m)

H1 update: Record bookings and revenue (08.07.22)

- Positive H1 trading update with a record for bookings and revenue. Bookings increased 30% to at least £1.2m with >50% of the value coming from new customers. Revenue +23% to £0.9m. Deferred revenue increased 14% to £1.9m, providing better revenue visibility. Cash and debtors £0.6m and the company reiterated the need for additional funding in H2.
- Annualised recurring revenue (ARR) of £1.6m, +11% since the start of the year and +29% on the same time last year. The metric, based on all clients on deployed subscription contracts, has been included for the first time.
- Average contract size has continued to increase amongst new customers and there were wins across multiple sectors, including healthcare, higher education and financial services. Osirium has also expanded licences with existing customers, including a number of NHS customers signed in 2021. Customers, via the channel, also secured in two new territories, the US and Finland.
- Newer products (PPA and PEM) also gaining traction with first sales where these products are the main component. Successful cross-selling evidenced by a contract expansion with a major UK provider of telephony and broadband services. This customer initially signed a 36-month PAM deal in December 2020 and is now taking all three products.
- Management is confident of achieving revenue/bookings expectations for FY22 and no change to [forecasts](#) or 23p/share fair value.

Allenby Capital comment: Good H1 performance with record revenue and bookings. The company is successfully carrying out its land and expand strategy and making good use of the channel to extend its market reach. Cybersecurity remains a key area of investment for all organisations, as evidenced by wins in multiple sectors, and Privileged Accounts the main target for cyber attackers. The situation remains tight, however, and Osirium has reiterated the need for additional financing.

** Allenby Capital acts as Nomad and Broker to Osirium Technologies plc.*

ECSC Group plc* (ECSC.L, 40.5p/£4.1m)

Contract wins: Record MDR order book (06.07.22)

- Three contract wins in its MDR (Managed Detection and Response) division that total more than £590k over the initial three-year periods. Sectors represented are employee online services, shipping, and online training and assessment services.
- Combined with a number of recent MDR renewals, the order book at H1 (June) was £2.9m, a record level and a >30% increase during H1.
- No change to [forecasts](#).

Allenby Capital comment: Encouraging progress in the MDR division which did see a dip in revenue in H2, following the loss of a couple of clients. MDR is core to ECSC's growth plans as the multi-year deals in the division significantly improve revenue visibility and customers tend to be sticky thereafter. MDR is sector-agnostic, as evidenced by these wins, and outsourcing these services remains the only practical option for all but the biggest organisations. The clients will be serviced out of ECSC's Security Operations Centres (SOCs) located in the UK and Australia and the increased utilisation will help to increase margins. The shares have been languishing this year and currently trade on an FY22 EV/Sales of 0.5x. We maintain our fair value of 130p/share for the UK's longest-running 'full service' cyber security provider.

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

Trakm8 Holdings plc* (TRAK.L, 15p/£7.5m)

Contract win: Further progress in usage based insurance (06.07.22)

- Contract awarded by Love Your Miles for the provision of devices, a custom app and platform services for Love Your Miles' insurance propositions. Love Your Miles is a new usage based insurance (or 'Pay as You Drive') that will start writing policies this month. Co-founders and managing directors Stuart Whalley and Chris Pryor are experienced in the insurance sector and were both formerly at Fresh Insurance.
- Policy purchasers will be sent a MileMeter, a Trakm8 hardware device, that is installed in the OBD port of the vehicle to track the vehicle's actual mileage. If the customer travels fewer miles than predicted, the could qualify for a discount at the time of renewal.
- No change to [forecasts](#) or 29p/share fair value.

Allenby Capital comment: As set out in our recent initiation note, FY23 has started well, particularly in the Insurance division that saw 33% growth in revenue and 60% in device shipments in the first two months of this financial year, through new wins and increased volumes with existing customers. We expect this momentum to continue as movement patterns normalise and the backlog of driving tests is worked through. Usage-based insurance is also likely to gain further market share as insurers look offer more granular products and better manage risk through telematics data analytics. By providing devices, a custom app and platform services, Trakm8 has been able to capture more of the value chain and Love Your Miles was able to get up and running more quickly.

** Allenby Capital acts as Nomad and Broker to Trakm8 Holdings plc.*

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