

## Corporate

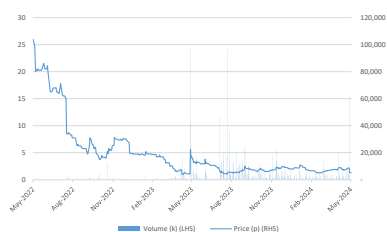
 Current price **1.275p**

 Sector **TMT**

 Code **MIRI.L**

 Listing **AIM**

### Share Performance



% Change	1m	3m	12m
MIRI.L	-27.1	-23.9	-66.4

Source: Thomson Reuters, Allenby Capital

### Share Data (pro forma)

 Market Cap (£m) **13.2**

 Shares in issue (m) **1,032.6**

52 weeks (p)	High	Low
	<b>3.80</b>	<b>1.03</b>

 Financial year end **31 December**

Source: Company Data, Allenby Capital.

### Key Shareholders (pre placing)

Rathbones Investment Man.	19.1%
M&G plc	11.8%
IP Group plc	7.0%
Parkwalk Advisors	3.6%
Columbia Threadneedle	3.2%

Source: Company Data, Allenby Capital.

### David Johnson

0203 394 2977

d.johnson@allenbycapital.com

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

# Mirriad Advertising plc (MIRI.L)

## Supply and demand-side pieces falling into place

Mirriad Advertising plc (MIRI.L), a leading global provider of in-content advertising and virtual product placement (VPP) technology and services, has conditionally raised £6.8m (gross) at 1.25p/share. The additional funds will be used for working capital as Mirriad's product set is substantially complete after several years of heavy investment and it is now leveraging the sales and marketing operations of its supply side major entertainment partners. These account for c. 40% of the US TV advertising market and Mirriad is in discussions with companies with a further >45%. On the demand side, a growing list of major advertisers are buying in-content advertising and all six major advertising agency groups have been activated. As discussed in [December's note](#), Mirriad is successfully moving from market building to a growth phase. This should accelerate with the availability of programmatic functionality that will integrate into the existing media buying marketplace also supported by the recent TripleLift partnership.

- Operational update:** Mirriad continues to make progress on both the supply and demand side for VPP. It recently signed agreements (November and March) with two of the largest US media and entertainment companies to identify VPP opportunities and introduce in-content advertising. These companies have TV and streaming advertising businesses of almost \$19bn globally and with its earlier agreements, Mirriad now has access to almost 40% of the US TV advertising market as well as their substantial sales teams, a step change in its sales and marketing reach. Discussions are ongoing with companies with a further >45%. On the demand side, a growing list of high-profile advertisers are buying in-content advertising and all six major agency groups are activated. Most recently, it signed a partnership with TripleLift to create unified inventory distribution for programmatic sales across a range of streaming formats.

- Financial update:** As expected, H2 saw an increase in revenue over H1 and FY23 revenue was up 20% to c. £1.8m, +31% LfL. The US, the largest and most dynamic market, accounted for c. £1.4m. Advertiser count increased 15% to 68 and repeat customers by 61% to 21. Year-end cash was £6.1m, with a significant reduction in the cash burn - £600k pm in H2 versus £1.2m in H1. The full year effect will be seen in FY24 and management has identified substantial further savings. The recently signed majors are activating their sales teams and preparing for the programmatic activation of streaming services. There is a £2.6m net unweighted sales pipeline with a third coming from supply partners signed in the last six months. We expect a substantial ramp in revenue during FY24 given the growth in Mirriad's US addressable market, the impact of Mirriad's partners' sales organisations and a measurable contribution from programmatic sales during Q4. This growth continues into FY25, where the business should move into profit during H2. Although a significant uplift, programmatic offers potential for outperformance against our FY25 forecasts.

### Year End: 31 December

(£'000)	2021	2022	2023E	2024E*	2025E*
REVENUE	2,010	1,507	1,803	4,000	10,750
ADJ. EBITDA	(13,067)	(13,637)	(10,588)	(7,586)	(3,198)
ADJ. PBT	(12,020)	(14,027)	(10,794)	(7,686)	(3,348)
ADJ. EPS (p)	(3.9)	(4.8)	(2.1)	(1.3)	(0.5)
NET CASH	24,501	11,289	6,109	6,432	2,825
EV/REVENUE (x)	N/A	N/A	5.3	1.7	1.0
EV/EBITDA (x)	NEG	NEG	NEG	NEG	NEG

Source: Company; Allenby Capital. Allenby Capital acts as Nomad &amp; Joint Broker to Mirriad Advertising plc (MIRI.L).

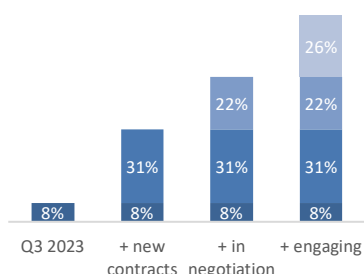
\* pro forma

## Investment summary

Mirriad Advertising plc (MIRI.L), a leading global provider of in-content advertising and virtual product placement (VPP) technology and services, is at a pivotal point in the US, the largest and most dynamic advertising market. On the supply side, it has signed up major entertainment companies that account for c. 40% of the US TV advertising market to provide access to some of the most popular and monetisable content for VPP and is in active discussions with three companies representing more than a further 45%. On the demand side, a growing list of high-profile advertisers (e.g. Amazon, Procter & Gamble, Pepsi, L’Oreal, Lexus, Walmart, and AT&T) are buying in-content advertising, and advertisers spanning a wide range of sectors (consumer packaged goods, travel, food, alcohol, financial services and technology) are evaluating the new ad format. All six major advertising agency groups (WPP, Publicis, Omnicom, Dentsu, Havas and IPG) have been activated.

Mirriad has successfully demonstrated a differentiated service offering with some of the biggest advertisers, networks and content owners in a constrained and saturated global ad market. Mirriad is in the process of integrating with content- and ad-tech providers to facilitate the programmatic purchase of in-content inventory, in line with the digital media ecosystem. Programmatic is expected to be initiated in H1 and Mirriad will also build a programmatic in-content marketplace to encourage adoption. This should accelerate the adoption of VPP. Importantly, Mirriad will leverage the large and established sales organisations of its media partners to sell in-content advertising. Six of the seven media partners have begun activating their sales organisations and three are testing/evaluating programmatic for streaming platforms. This represents a step change in Mirriad’s sales and marketing reach and resource.

Exhibit 1: Mirriad’s addressable US market



Source: Company

Mirriad has an unweighted near-term net pipeline of £2.6m with a third coming from supply partners signed in the past six months. As a result, we anticipate a substantial increase in revenue in FY24, given the growth in Mirriad’s addressable US market and a first contribution from programmatic advertising in Q4. There should be further significant growth in FY25 and a move into profit during H2 FY25, and programmatic offers potential for outperformance against our FY25 forecasts. Mirriad has conditionally raised £6.9m (gross) at 1.25p/share to fund the necessary working capital associated with this growth. Coupled with its existing resources and cost reduction actions, this should be sufficient to take the company through to cash flow breakeven during H2 FY25.

## Industry dynamics

The industry dynamics are becoming more supportive of Mirriad’s technology proposition and the investment case, as evidenced by the recent success in signing up content ‘majors’ and ‘supermajors’, advertisers and agencies. Viewing habits have evolved over the past few years with the rise in ad-free or ad-light video services and viewers reacting negatively to the perceived overload of advertising on linear TV. Many viewers are migrating from traditional TV to streaming services (cord-cutting or cord-shaving), have never subscribed to traditional cable (‘cord-never’), and/or are taking actions to skip ads. Samba TV recently reported that nine out of ten ads in the US only reach half of households and these households are seeing an average 150 ads per day. Meanwhile, the other half of households see only one out of ten ad impressions and c. 10 per day.

These changes are even impacting content such as live sports, a stalwart and traditionally the most lucrative content on linear TV. For example, in February, Disney, Fox and Warner Bros. Discovery announced plans to launch a streaming service for sports content this autumn. Although almost all of this content was already available online, it was only accessible via subscriptions to pricier traditional cable and satellite services. Disney also announced that the sports-focused ESPN will launch its own comprehensive direct-to-consumer streaming service in 2025.

**Lower advertising load on streaming**

Advertisers are looking to follow their audiences in brand-safe environments, and broadcasters and entertainment companies need to monetise their content but the potential advertising load on streaming is lower and hence there is less inventory ('slots') available. Meanwhile the revenue available from streaming subscriptions is much lower than with traditional cable and satellite bundles and advertising needs to play a part in streaming services.

In-content advertising and virtual product placement, such as that offered by Mirriad, has been proved to be an effective and non-intrusive alternative to traditional advertising. By moving advertising into the actual program, the content is opened up as a source of new inventory.

**Action to avoid traditional TV ads**

Research by Mirriad and Kantar Media, a leading provider of audience and media market research, found that 86% of viewers are taking action to avoid traditional TV ads (e.g. ad skipping, switching channels, using smartphones, leaving the room, use of catch-up services etc) across broadcast and network TV, streaming, and online video. A further 51% will take action against companies with repeating ads (e.g. switching purchasing decisions away from advertisers).

The rise of ad free subscription-based video on demand streaming services (SVOD) has contributed to this reduced viewer tolerance to ads – streaming viewers prefer lighter ad loads (<6 mins per hour) and ads that do not interrupt the content flow (i.e. split screen, interactive, QR codes). The newer ad-supported streaming services (AVOD) are not fully covering the advertising revenue shortfall, as the tolerance levels of traditional advertising are proving to be lower and the uptake of advertising supported tiers of streaming services has been relatively low.

**VPP significantly more attractive to viewers**

Mirriad's VPP has been found to be significantly more attractive to viewers – 7x compared with traditional advertising (Source: Kantar). Ad awareness was also enhanced (+26 percentage points) and 83% of viewers agreed with the premise that Mirriad's integrations are natural to the content and can be deployed in both ad-supported and ad-free models. More recent research found that brand affinity was up by 96% and purchase intent by 54%. Viewers felt much more positive about in-content advertising and took no steps to avoid this integrated ad format.

Benefits of in-content advertising:

- Viewers – non-disruptive, fits naturally with content and preferred to traditional advertising forms,
- Content providers – new source of advertising inventory and therefore revenue across any distribution model,
- Advertisers – cost-effective route to reaching audiences with a non-skippable and brand-safe format. With the shift to streaming, advertising inventory is more limited and audiences more fragmented.

**Exhibit 2: Top 10 US Suppliers**

Top Vendors	Market Share (%)
NBCU	22
Paramount	16
Fox Corp	16
Walt Disney	10
Discovery	7
Warner Media	7
Univision	3
A+E	3
Crown Media	2
AMC Network	1

Source: Magna

Mirriad is focusing its sales and marketing efforts on the US, the largest and most developed ad market, and the largest advertisers. The company has substantially increased its addressable US TV advertising market. Since starting to work on the US in 2020, it had market access of c. 8% by Q3 2023. The two recent agreements have expanded its addressable market to c. 40% and Mirriad is in discussions with companies that account for more than a further 45% of TV advertising spend. It also works with nine of the top twenty US advertisers that spend >\$10bn per annum on advertising.

**Top three US entertainment network**

In March, Mirriad announced a two-year agreement with a leading US media and entertainment conglomerate, with a diverse portfolio of movie studios and productions, television channels and streaming platforms. The partner has 95m direct-to-consumer video streaming subscribers alone, and a further >20 networks in the US that average >100m total views each week. It is also home to the majority of the top ten rated US TV networks. As a result, Mirriad will have access to new substantial high value inventory.

As part of the agreement, the partner has committed significant resources – including its sales and marketing teams – to take new in-content inventory to market, beginning in March with one its highest rated programmes distributed across TV and digital. Programmatic integration with the partner’s streaming platforms is in active discussion.

**15% share of US TV advertising market**

In November, Mirriad announced that it had signed an agreement with a leading multinational mass media entertainment company whereby Mirriad will identify virtual product placement opportunities and introduce in-content advertising. The partner, a top three entertainment network in the US, accounts for a 15% share of revenue in the US TV advertising market (Source: Statista).

The partner operates studios, networks and live events and has one of the fastest growing global streaming services and will benefit from specific incremental ad revenue opportunities via in-content product and brand placements. Mirriad is integrating with the partner for an end-to-end solution that encompasses content analysis, campaign management, online access to inventory opportunities, creative execution of digital assets and campaign reporting. The partnership will provide access to significant additional inventory for advertisers.

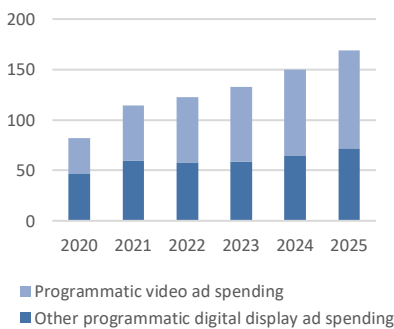
The initial plan is a standard implementation of Mirriad’s solution, followed by a transition to its programmatic platform.

**Top 10 US entertainment company**

In November, Mirriad also announced that it signed a partnership with a US entertainment company, ranked in the top 10 by advertising revenue and a leader in targeted subscription streaming, for the activation of new in-content opportunities. The partner operates in >125 countries and has iconic and popular brands across TV, independent film, production distribution, gaming and publishing. Its streaming service includes the best content from its seven networks. The partner expects to benefit from incremental ad revenue via the new ad format and was attracted to the proven viewer preference for in-content advertising.

The companies will work together to deliver a seamless end-to-end solution, and Mirriad will look to test its forthcoming programmatic advertising capabilities on the partner’s streaming platform.

**Exhibit 3: US programmatic ad spend (\$bn)**



Source: \*\*

**Programmatic**

During FY23, Mirriad continued to invest in developing its programmatic in-content advertising capability – the process of automating the buying and selling of advertising inventory through software. This substantially streamlines the ad buying process and brings it into line with current digital advertising buying practices and represents the fastest growth area of advertising spend. Mirriad has been testing programmatic with media partners and content distribution platforms over the past 18 months and it is expected to launch programmatic ad buying during H1 with measurable revenue likely to follow in Q4.

In April, Mirriad entered a strategic partnership with TripleLift Inc, that operates a supply-side platform (SSP) for advanced ad formats that processes more than a trillion monthly ad transactions across online video, connected television and other channels. As part of the partnership, TripleLift’s SSP will facilitate the automated selling of in-content inventory from Mirriad’s supply side partners (media companies) into the leading media

buying platforms, such as Google's Display & Video 360 and The Trade Desk's eponymous demand side platform (DSP).

Advertisers and media buyers will be able to buy Mirriad's inventory via their programmatic platform of choice for a range of digital video formats, including connected TV (CTV), video on demand (VoD) and free ad-supported streaming (FAST). Support for programmatic ad buying provides the opportunity to significantly scale Mirriad's in-content advertising format. Until now, Mirriad has used the traditional 'manual' process of direct selling of ad inventory to advertisers. Programmatic ad buying utilises algorithms and technology platforms to automate buying, placement and optimisation of digital media inventory making the process more efficient, precise and expandable.

### Programmatic revenue model

Although Mirriad's programmatic service has yet to be launched we expect that it will have a different revenue model compared with the traditional 'manual' process and in line with other programmatic ad buying. Revenue will be based on the number of ad impressions delivered multiplied by the CPM (cost per thousand) rate with Mirriad receiving a revenue share.

The level of virtual product placement will also be dependent on the amount of content that is owned by the broadcaster/media company (i.e. they can insert VPP into their own content more easily) and the suitability of the content for VPP (e.g. virtual billboards are not well suited to wildlife programmes). The CPM model means that Mirriad is targeting larger content providers that have content that commands larger audiences and thereby covers the cost of digital insertion. One further positive is that the CPMs for digital audiences tend to be higher compared with linear.

### Benchmark for security standards

#### Trusted Partner Network

In January, Mirriad was awarded Gold Shield status by the Trusted Partner Network (TPN), a global media industry-wide security, that is wholly owned by the Motion Picture Association (MPA), the American trade association representing the five major US film studios plus Netflix. TPN assessments gauge a service provider's information security readiness against the best practices of the MPA initiative and it represents a benchmark for security standards within the wider content industry and provides guidance to address security at various point of the content pipeline. The award should facilitate Mirriad working with the most valuable content from the biggest media companies and speed up the onboarding process with potential new partners.

### Microsoft migration

Mirriad has also successfully migrated to Microsoft to provide an open architecture, enabling third-party tool integration and ecosystem interoperability. The collaboration has also increased Mirriad's AI capabilities using Microsoft's tools and services. Mirriad also plans to make its platform available via Microsoft Marketplace. A new collaboration is also in development with Amazon aimed at accelerating the monetisation of the programmatic in-content solution across the wider market.

**Exhibit 4: Mirriad offering**



Source: Company

**Mirriad’s technology offering**

Mirriad has developed a proprietary technology platform that enables the seamless integration of branded content into video content, creating a native and hence less disruptive advertising experience. This includes the insertion of branded assets, such as products or innovative signage formats, into existing video content, making it appear that they were part of the original content. The company has invested heavily in its technology stack and has 38 patents covering its technology. Mirriad has also won numerous industry awards, including the 2022 AdExchanger Award for the most innovative TV advertising technology. These represent net new revenue opportunities for content owners.

Mirriad 1.0 (2015-2018) was a point solution with the core VFX (visual effects) and computer-vision technology. Version 2.0 (2019-2022) was pre-programmatic and included the workflows and automation around the core technology. Mirriad 3.0 (2023-) will be the programmatic enterprise-level version, based on a cloud-based open architecture, interoperable with the existing digital advertising ecosystem. This will enable the programmatic buying of in-content advertising at scale and Mirriad can be integrated with partner platforms and white labelled. Mirriad has delivered in-content advertisements via an end-to-end programmatic transaction.

The platform employs computer vision and machine learning algorithms to analyse video content and identify suitable places for ad insertion. By understanding the context of the scenes, Mirriad can ensure that the branded content suits the original content, ensuring a natural and unobtrusive viewing experience. The platform can be used across multiple video formats including TV shows, films, SVOD/AVOD, music videos, and influencer (user generated content).

The platform addresses the challenge faced by advertisers and broadcasters and streaming platforms that consumers are much less willing to watch traditional video advertising and this advertising is much less effective. With its approach, Mirriad can enable advertisers to reach their target audiences and broadcasters/content owners to monetise their content in an innovative way. This is achieved in a much less disruptive way.

**Mirriad Dynamic Ad Insertion technology**

Mirriad has introduced technology to automate the delivery of mass volume campaigns, and the delivery of multi-advertiser and multi-version monetisation of in-content inventory. Mirriad Dynamic Ad Insertion technology enables branded content segments to be inserted directly into CTV (connected TV), VOD (video on demand) and FAST (free ad-supported streaming TV – the streaming equivalent of broadcast television) channel programming. This enables broadcasters to serve multiple ad creatives at once to different audience sets based on data, such as demographics and location (as shown in Exhibit 5 with Pure Leaf and Pepsi product placement).

**Exhibit 5: Dynamic Ad insertion**



Source: Company

Mirriad is leading the in-content advertising category. The competitive environment remains benign and none of Mirriad’s initial competitors have broken out. Meanwhile at Amazon, Amazon Ads, its in-content advertising product, is still at an early stage and has

been restricted to Prime Video and Amazon Freevee (formerly IMDb TV), an ad-supported, free video streaming service that can be used without a subscription.

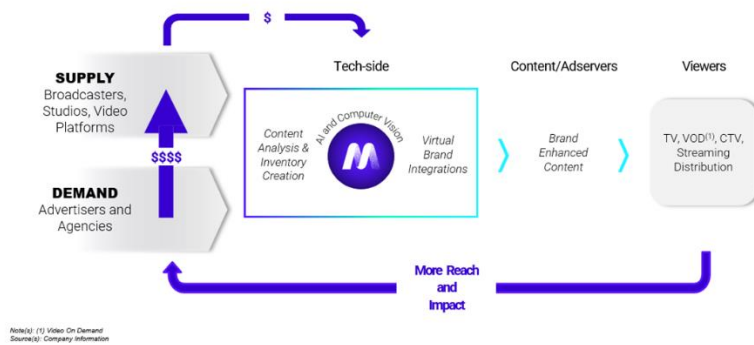
Mirriad offers an end-to-end platform with programmatic capabilities. It has partnerships with top tier brands and agencies in multiple sectors and with major entertainment companies providing access to popular content. It has expertise from years of successful integrations and validation through >40 studies that demonstrate the effectiveness of its offering.

### Revenue model – ‘manual’

Mirriad derives its revenue as a share of the revenue generated from selling advertising space. For example, if a broadcaster sells an insertion on a programme for £100k, Mirriad will typically receive 20% of the total revenue in Europe and 30% in the US.

For smaller scale content partners where the revenue share model would generate a lower revenue, Mirriad will work on a fixed fee basis and charge the partner for each advertising insertion or for each second of advertising. In this model, Mirriad will typically receive more than 30% of the ad revenue but the total revenue level will be lower.

Exhibit 6: Mirriad revenue model



Notes: (1) Video On Demand  
Source: Company Information

Source: Company

### Financial performance

Per January’s pre-close update, FY23 revenue increased 20% to c. £1.8m, and up 31% on a like for like basis (excluding revenue from the discontinued China operations that were closed in H1). As expected, H2 saw an increase in revenue over H1 (£1.2m vs £0.6m) and the US accounted for c. £1.4m of total revenue. Overall EMEA revenue was up 93% to £0.3m, predominantly in Germany where it carried out campaigns across Germany’s largest broadcasters, RTL and ProSieben. The overall number of advertisers increased 15% to 68, agencies +63% to 31, active supply partners +36% to 49, and repeat customers by 61% to 21.

### Significant H1 restructuring

As well as the closure of the Chinese operations, there was a significant restructuring of the ongoing operations during H1 FY23. US headcount reduced from 15 to 11 staff at the end of May 2023 and the technology team from 46 to 30. Overall headcount in continuing operations reduced from 115 at the end of April to 93 at the end of the year.

Year-end cash was £6.1m, with a significant reduction in the cash burn during the year - £600k per month in H2 versus £1.2m in H1. Cash burn in H2 was slightly better than management expectations with the efficiency improvements coming in ahead of schedule. The full benefit of the FY23 cost reduction programme will be seen in FY24, although we anticipate growth in working capital as revenue ramps.

**Scope for further cost savings**

There is scope for further cost savings. As announced in 2023, Mirriad will surrender the lease on its London office from July and move to a mainly remote working model. This will result in net savings of c. £450k per annum. Reductions of a further £250k per annum in administrative costs have been identified as well as the potential for more than £750k over the medium term, subject to some additional upfront spend.

**Evidence of commercial momentum**

There is increasing evidence of commercial momentum with Mirriad reporting a £2.6m net unweighted sales pipeline. Importantly, almost one third of this pipeline comes from supply partners signed in the past six months as the US entertainment majors ramp up their own sales efforts. In Europe, there is ongoing growth in Germany and the UK with revenue up c. 70% in Germany. Mirriad is also taking 23 out of 25 shows that Channel 4 has commissioned to air in 2024 as well as its first content for Sky. Many of the new supply side partners have been developing their roll-out plans for VPP – activating their own sales teams and preparing for the programmatic capability for streaming services.

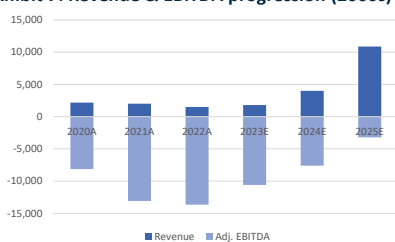
**Transition to programmatic selling**

FY23’s revenue profile was based on a labour-intensive manual sales process and Mirriad’s very limited in-house sales and marketing resource. In FY24, Mirriad will initiate the transition to programmatic selling as well as leveraging the partners’ substantial sales and marketing teams. By working with tier one US partners, this approach is expected to open up increased volumes, shorter lead times, automated transactions and scale. The ‘Mirriad-inside’ strategy of integrating in-content advertising as a new standard advertising format is now gaining traction.

**Expansion of US addressable market**

We anticipate a substantial increase in revenue in FY24 reflecting the expansion of the Mirriad’s addressable US market with the recent partnership agreements. At Q3 FY23, it had agreements with companies accounting for 8% of the US TV advertising market and achieved US revenue of £1.4m and operating with a small direct sales team. This addressable market now stands at close to 40% and there are ongoing discussions with companies representing more than a further 45%. The more recent partners have much larger audiences and access to more popular and hence more monetisable content. Finally, the content partners are actively involved selling Mirriad’s in-content inventory. These companies have substantial sales teams and long-standing relationships with brands and agencies. The availability of programmatic purchasing will further simplify the ad purchasing process and we anticipate a measurable contribution from programmatic sales during Q4. As a result, we anticipate further growth in FY25.

**Exhibit 7: Revenue & EBITDA progression (£000s)**



Source: Company; Allenby Capital forecasts

From a cost perspective, Mirriad has the necessary resource to analyse content, identify locations for virtual product placement and insert ads. Consequently, gross margin should increase with the volume of ads served. As discussed above, Mirriad has substantially reduced its operating cost base and we expect FY24 operating costs to be c. 22% lower than FY23 that was also c. 20% lower than FY22. Mirriad has already invested heavily in its technology stack (all R&D spend is expensed) and will leverage its partners’ sales and marketing operations. In FY25, we forecast a 20% growth in operating costs but this will be more than offset by the revenue growth and gross margin appreciation. As a result, we expect the company to move into positive EBITDA on a monthly basis during H2 FY25 and also start to generate cash.

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