

# COVID-19 AND LONG TERM IMPACT

## MULTI-COMPANY RESEARCH

1 April 2020

### FTSE AIM



12m high/low 976/590

Source: LSE Data

### FTSE ALL SHARE



12m high/low 4,258/2,728

Source: LSE Data

ALL OF THE COMPANIES MENTIONED IN THIS DOCUMENT ARE RESEARCH CLIENTS OF PROGRESSIVE (FDM VIA SHORE CAPITAL)

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## A seismic shift in the way we live and work

The Coronavirus pandemic is a human tragedy of vast proportions – as well as the terrible human toll, COVID-19 has led to economies across the globe going into physical lockdown and financial freefall. Entire populations are adapting to the “stay at home” edict, to safeguard the vulnerable – and some of these changes will lead to long-lasting or perhaps permanent changes in the way we live or work. This note describes some of our client companies whose business models are well adapted to these changes, or who might see a change in long-term structural demand.

- **Amino** – could see increased demand for broadband-delivered IPTV solutions as (mainly) telco customers experience demand for new TV-viewing options and quality providers look to win and retain market share.
- **Bango** – is already seeing an increase in spending on online services and entertainment, as consumers use their mobile phone bills to pay for both digital content and physical goods in countries under lockdown.
- **FDM** – is accelerating existing plans around remote learning in its IT Services academies – this change could lower its costs of operation long-term and increase throughput of consultants.
- **Gamma Communications** – could see acceleration in uptake of Cloud-based IP work-from-home-friendly telephony across Continental Europe, as business users see the efficiency and effectiveness of new platforms.
- **Kape** – one of the few to already announce usage uplift, Kape has seen growth in the sale of VPNs in recent weeks, mainly in the US and Europe, from people keen to protect their increased domestic online activity.
- **LoopUp** – may well see increased demand for its remote meeting solutions, which offer voice, video and screen-sharing in a secure way with a focus on high-end Professional Services customers.
- **Tern** – Internet of Things investments could see accelerated adoption as their products become significant components in training, securing and monitoring connected devices in the current environment and beyond.
- **ZOO Digital** – offers a work-from-home platform for subtitling and dubbing media content; content producers may now more rapidly accept the merits of the modern ways of working.

We describe each of these companies, and the potential shifts within their industries and markets, in easy-to-navigate summaries in the pages below.



## Adapting to change

### Common themes in company announcements

Initially, it is perhaps worth noting some common themes among the COVID-19 announcements made by companies listed on the LSE or admitted to AIM. Leaving aside their individual comments on trading, we have noted:

- Cash conservation is a key theme and **previously announced dividends have been withdrawn in many cases.**
- **Funding facilities have been fully drawn down** to maximise liquidity and to pre-empt cancellation or reduction of those facilities.
- **AGM dates have been pushed back** to allow for the fact that Company legislation in the UK currently has no provision for a “virtual” AGM. The law could perhaps be changed to accommodate online attendance/quorum inclusion but, at present, this is not an option.

One consistent feature, however, is that workforces are, almost without exception, working from home.

### Working from home

Not everyone can work from home. However, in many situations there is no absolute requirement for face-to-face meetings, so remote conversations, often including video, are an acceptable alternative. The current lockdowns in many countries mandate such an approach, but once people become familiar with it, such remote meetings may become more frequent.

Among other things, workers need:

- A space to work in, with the right collaborative hardware and software (which needs to withstand stress-testing in a high-use environment)
- A good internet connection (which can also withstand high demand) and one which is secure and which can protect privacy both of the individual’s details and any sensitive data that would not normally pass to or from the employee
- A clear determination of what work lends itself to a remote model and realistic expectations of what can be achieved

### Communicating

For management teams, it is crucial that the conferencing or wealth of productivity apps (which may, for instance, be used to help employees remain focused on specific tasks) offer workers the opportunity to communicate and collaborate regardless of location. They need to ensure streamlined, reliable access. It seems that video conferencing can make a difference to feelings of isolation for workers who are unused to working from home. In addition, they can create a working environment which encourages the free flow of information and feedback – something which might be crucial in maintaining the necessary level of engagement in a remote workforce.

Clearly, the ways of achieving this will vary depending on the number of workers involved. Most COVID-19 related announcements from listed companies have referred to the implementation of existing business continuity plans and the current health crisis will provide a significant test of those measures. Underpinning this is the obvious necessity to maintain communication with employees.

With many of the technologies already in use, the opportunity for firms to simply ramp up the scale is obvious. **Once this has worked for a period of time, it could prove the catalyst for companies to consider the benefits of remote working for its employees on a more permanent basis.** It's possible, of course, that the main challenge will simply be one of space in an employee's own home. After all, not everyone will be in a position to allocate a specific room or area of their family home to forming a workspace on a long-term daily basis. Nonetheless, a permanent shift in working practices is entirely possible in some areas of business activity.

Obviously, there are a number of early indications of stress in the system - some corporate networks were not necessarily attuned to having a majority of their connections coming in over virtual private networks (VPNs), for instance. In addition, internet service providers are under pressure to lift bandwidth caps to facilitate the new home working model. On that note, there was a concern that home broadband networks would struggle under the weight of heightened usage. It is worth reflecting on comments from the UK ISPA (the Internet Service Providers Association) which say that ISPs are well placed to handle increased remote working. It notes that peak network demand for ISPs was traditionally in the late afternoon and evening when more bandwidth-heavy services like gaming and video streaming are in use. In addition, the internet has previously withstood occasional "heavy use days" without problems, and clearly there is much less traffic from the now-closed offices and factories throughout the country. With schools now closed, the situation is perhaps similar to that of a 'snow day'. Nevertheless, many communications platforms have been strained – we use mainly Gamma, LoopUp, Microsoft Teams and Sharepoint, all of which have shown some signs of pressure, but all of which seem to be coping well with presumably significant additional use.

## Using technology to combat COVID-19

### Current examples

Apart from obvious testing, patient treatment and cure research associated with COVID-19, technology has been used to help, for instance, those who are monitoring the spread of the disease or who are working in the health industry, or, at a wider level, people who are adjusting to working from home.

A report on the World Economic Forum website highlights a number of uses that existing technology has been put to in Asia where a number of the initial cases came to light. In China, robots have been used to disinfect hospitals, while drones are delivering medical supplies and Artificial intelligence is being used to sort multiple scans to spot the infection.

In Singapore, government data has enabled detailed mapping of the outbreak and in South Korea, authorities have tracked potential carriers using cell phone and satellite technology. While noting the obvious concerns over civil liberties, these are examples of how big data platforms can be utilised quickly and transparently to produce key information for those fighting the spread of Coronavirus.

### Companies highlighted

Nobody likes to profit from a crisis – and none of the companies in this note have requested their inclusion, nor are they actively seeking to raise prices or drive short-term gain. This note focusses not on the immediate pandemic (or even its short- or medium-term economic impact – it is too early to assess this). Rather, we believe that the businesses we highlight in this document may benefit into the long term from new ways of living and working. **Their technology models may become even more applicable not just now, but in the future, as new working practices become more normal.**

Amino Technologies 

Amino Technologies is a Media Tech business, focused on broadcast and next-generation streaming services. It has two operating units: TV-centric Amino Communications and 24i, focused on streaming and OTT experiences.

**Summary of COVID-19 comments:**

- Trading year-to-date is consistent with meeting management’s full-year expectations
- Ensuring service delivery – helping customer’s “video streaming and apps keep up with increased usage”
- The group’s tools and services to allow customers to “remotely manage, support and install devices in the home and which therefore remove the need for engineers to visit the home”.
- Amino has a strong balance sheet and robust liquidity.
- AGM delayed / rearranged.

**Near-term impact: (November year-end)**

- Currently has good demand and visibility.
- Impact on customer spend makes financial performance in the remainder of the year uncertain.
- Device production now back to normal levels.
- Part of business continuity plan implemented. Staff are working remotely across the globe, with the Hong Kong office having been operating in this mode for over two months.
- Suspending the dividend will save \$5.3m cash.

**Long-term upside potential:**

- Potential boost in demand for IPTV solutions from the telco customer base looking to service a wave of demand for new TV-viewing options.
- 24i services teams likely to be in high demand.
- Quality providers will look to win market share during extended periods of high TV viewing with many millions confined to their homes.

**KEY DATA**

Ticker	AMO.L
Market Cap	£88m
Index/market	AIM
Fall from 6m high	22%



Bango



Bango provides a mobile commerce platform that enables customers like Amazon, Google and Microsoft to offer one-click payments globally. Merchants use Bango payment data to focus marketing on the users most likely to pay online.

**Summary of COVID-19 comments:**

- With no supply chain dependencies, Bango products continue to be available without interruption.
- While the platform operation is automated, it has teams across multiple sites ready to help its partners. This support can be provided from anywhere with an internet connection.
- Platform headroom more than 20x current levels, so easily capable of handling faster growth in on-line business brought about by enforced stay-at-home situation globally.

**Near-term impact: (December year-end)**

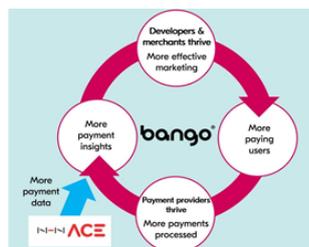
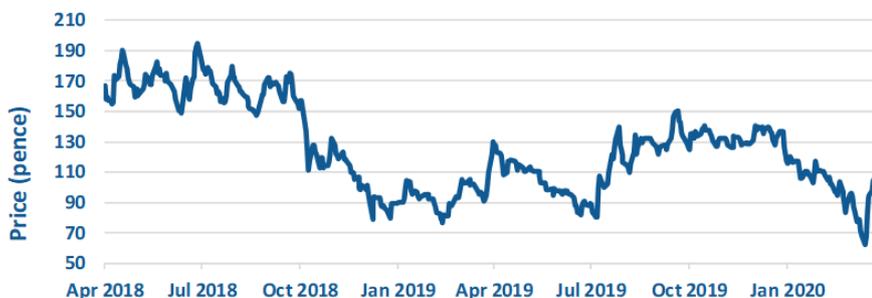
- No change to near terms estimates in market to FY 2020E.
- Bango employees in Cambridge, Milan, California, Tokyo and Seoul operating from home. 98% of Bango customer contact is remote, so key activities are being maintained while employees work from home.

**Long-term upside potential:**

- If Covid-19 leads to more time at home, greater end user spending and more targeted marketing are expected.
- Early data from Bango and others shows that consumer spending on online services and entertainment is already increasing, particularly where there are extensive "stay at home" policies.

**KEY DATA**

Ticker BGO.L  
Market Cap £82m  
Index/market AIM  
Fall from 6m high 18%



**Get straight to the paying users**

<p>910k users</p> <p><b>Active payers in South Korea</b></p> <p>Lookalike audience of gamers</p> <ul style="list-style-type: none"> <li>• Active buyers form the basis of this lookalike audience</li> <li>• All paying users, including the most fre...</li> </ul> <p>facebook GMTK-90326 <b>More</b></p>	<p>500k users</p> <p><b>Gamers in South Korea</b></p> <p>Active mobile gamers</p> <ul style="list-style-type: none"> <li>• Game playing audience</li> <li>• All users have responded in campaigns for games content</li> <li>• Tried and tested...</li> </ul> <p>facebook VGRR-19371 <b>More</b></p>	<p>240k users</p> <p><b>Active payers in Canada (lookalike)</b></p> <p>Monetize with recent spenders</p> <ul style="list-style-type: none"> <li>• Over 85% of content payments are for games</li> <li>• Users made purchases between September 2019 to Februa...</li> </ul> <p>facebook KXKC-39055 <b>More</b></p>
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FDM<sup>1</sup>



FDM Group provides professional services focusing on information technology. Principal business activities are recruiting, training and placing its own permanent IT and business consultants (Mounties) at client sites.

**Summary of COVID-19 comments:**

- Remote working is in place across FDM centres, and market is ‘relatively resilient’.
- A reduced number of face to face events in some locations.
- Consultant training is being delivered on a virtual basis.
- 2019 final dividend no longer recommended (saving £20m) and AGM postponed/rearranged

**Near-term impact: (December year-end)**

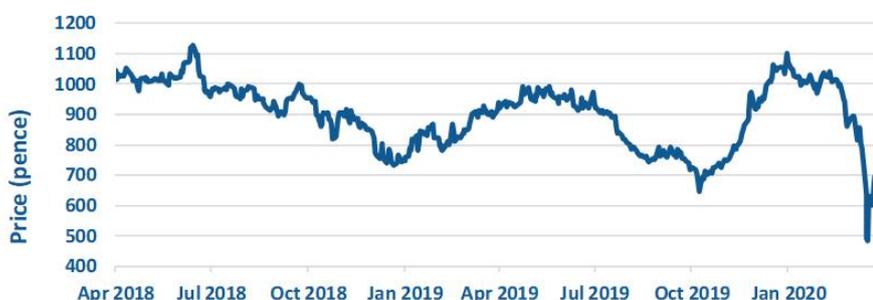
- The 2020 year will be undoubtedly impacted by project cancellations and delays; even client activities that customers want to progress could be held back by lack of access to sites.
- Dividend for 2019 pulled; AGM postponed.

**Long-term upside potential:**

- Structural changes to training could reduce costs to the group, and increase the pool of available recruits as geography is less of a barrier.
- Adoption of remote and team-based working could allow FDM to participate in more and different client engagements in a more flexible way, potentially expanding the market and allowing better levels of utilisation.

**KEY DATA**

Ticker	FDM.L
Market Cap	£807m
Index/market	AIM
Fall from 6m high	33%



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Creating and inspiring exciting careers that shape our digital future

<sup>1</sup>Progressive writes research on FDM under an outsourced arrangement with FDM’s joint broker, Shore Capital

Gamma  
Communications



Gamma is a provider of Unified Communications as a Service into the UK and Dutch business markets. It operates through an extensive network of channel partners and also directly.

**Summary of COVID-19 comments:**

- Taking mitigating steps in preparation, the health and safety of employees, customers and partners is paramount.
- Fully prepared for site closures.
- Working to ensure continuity of hardware supply.
- Still remains in excellent financial health and in a strong trading position.

**Near-term impact: (December year-end)**

- Increased demand for Collaborate and Horizon Soft Client.
- Platform is supporting increased demand.
- Refine continuity of critical processes and procedures. Optimise resourcing.
- All staff working satisfactorily from home where roles permit. Additional measures on social distancing.
- Further guidance and policies to support staff and business with longer-term home working.

**Long-term upside potential:**

- A change in working practices after a period of working from home could instil a greater use of communications to replace face-to-face meetings.
- Unified communications services are more likely to be required and uptake across Continental Europe could accelerate relative to the previous adoption curve.

**KEY DATA**

Ticker	GAMA.L
Market Cap	£947m
Index/market	AIM
Fall from 6m high	32%



Kape Technologies



Kape is a cybersecurity company focused on providing digital privacy and protection services to consumers through its range of privacy and security products. It has over 2 million paying subscribers.

**Summary of COVID-19 comments:**

- Kape has announced that it has seen increased demand for its products, especially in the Group’s digital privacy division and in particular for the VPN offering.
- The Group is prepared structurally across different locations for supporting the business and providing full service to its customers through remote working arrangements.
- Given the recent debt facility announced on the 19 March, the Company is in a strong position to further grow its business.

**Near-term impact: (December year-end)**

- As described above, increased demand for especially the VPN offering has been experienced globally but most notably from North America and Europe. This could continue for the duration of consumer lockdowns.
- As a digital company, Kape continues to operate with a remote workforce and is able to serve the increase in demand without impacting the quality of its services.

**Long-term upside potential:**

- With an increase in home working, the requirement for privacy and security products is likely to increase even beyond the COVID-19 lockdown as customer retention is strong.
- The ability to expand the user base of the recently-acquired PIA business should be enhanced by the ability of Kape to apply its customer acquisition expertise across multiple jurisdictions.

**KEY DATA**

Ticker           KAPE.L  
Market Cap     £259m  
Index/market   AIM  
Fall from 6m high 15%



**Digital Privacy**

**Digital Security**

**Privacy Makes Us Different**

Since time immemorial, the right to privacy has been the bedrock of our society. Backed by the power of privacy, people have conquered empires, created nations, art, and democracies. Privacy is a gift that has given people the innate ability to have freedom of thought, expression, and action. Privacy affords everyone a fair share of the narrative.



LoopUp



LoopUp is a streamlined and intuitive premium remote meetings solution built for business users. It has one-click screen sharing and integration, making it easy for LoopUp users to collaborate in real time.

**Summary of COVID-19 comments:**

- Mandatory working from home for LoopUp staff; operations and support teams already global and 24/7.
- Network infrastructure is load-balanced across data centres in North America, Europe and Asia Pacific.
- Platform is fully scalable and has been stress-tested to multiples of current load levels; ownership of media mixing code allows full operational control to ensure high quality even at significant loading – this is an important differentiator in the Professional Services segment where reliability is absolutely paramount.

**Near-term impact: (December year-end)**

- A material increase in volumes across its global platform during March 2020, driven by the move towards home-working associated with the Covid-19 outbreak.
- Increased inbound approaches from users that are struggling with VoIP-based conferencing solutions, but “many dimensions of uncertainty” around FY20 results

**Long-term upside potential:**

- Likely that society moves to a greater use of remote meetings, with Professional Services (now the major focus for the group) also adopting such technology more rapidly than would have otherwise been the case.
- LoopUp’s solution offers phone-quality voice and complete reliability, as other (internet-calling) platforms are showing that they cannot offer such levels of service assurance.

**KEY DATA**

Ticker	LOOP.L
Market Cap	£35m
Index/market	AIM
Fall from 6m high	29%



Your firm’s conference calls really matter.  
Unlock their true potential.



Tern



Tern PLC is a provider of venture capital to exciting Internet of Things (IoT) innovators seeking scale and market share.

**Summary of COVID-19 comments:**

- Taking every precaution to protect its employees, advisors, suppliers and other stakeholders from COVID-19.
- Working closely with its portfolio companies, all of which are now working remotely, since the outbreak was declared to ensure that they are well prepared to navigate the months ahead.
- Tern has been providing operational support and advice, helping each company to implement creative, pragmatic solutions and to develop dynamic financial models in response to COVID-19.

**Near-term impact: (December year-end)**

- Requirement to maintain business continuity and to manage Internet infrastructures.
- Speedy implementation of measures which protect Tern’s principal portfolio companies and its people from COVID-19.
- Demonstration of Tern’s value to investees; regular co-operation and sharing of best practice/rapid reaction between businesses across the portfolio and from group level.

**Long-term upside potential:**

- Disruptive technology companies should offer significant autonomous capabilities to help governments and enterprises become more agile in addressing the current environment and are key enablers to solving problems safely.
- Use of remote monitoring, sensors and devices securely to train and deliver services or maintain workflows should be the key contributions of technology companies – and Tern’s investee companies in particular.

**KEY DATA**

Ticker	TERN.L
Market Cap	£9m
Index/market	AIM
Fall from 6m high	70%



Zoo Digital



ZOO Digital provides technology and services to producers of TV series and feature films to enable their content to be subtitled and dubbed in any language and prepared for sale with all major online platforms such as Amazon and iTunes.

**Summary of COVID-19 comments:**

- ZOO is equipped to adopt a work from home program across all locations to ensure business continuity.
- ZOO hosts its subtitling workflow in the cloud, so all English editors and foreign language translators already work remotely
- For functions that require office working, ZOO will enable its employees to maintain a social distance.
- ZOO’s dubbing workflow allows voice actors, dubbing directors and others to work from distributed locations, including home studios, and is therefore able to continue this service uninterrupted.

**Near-term impact: (March year-end)**

- No guidance for FY21 or FY22.
- COVID-19 is impacting original content customers as new title production is significantly hampered by restrictions on travel and group gatherings.
- ZOO’s cloud-based delivery provides resilience, and the network of freelancers is largely unaffected.
- ZOO is already seeing a shift in focus to catalogue content.

**Long-term upside potential:**

- Further growth from a renewed focus on the localisation of back-catalogue titles from a range of clients as demand for content for the large number of OTT platforms gathers pace.
- Higher levels of interest in ZOO’s cloud-based localisation services from major media companies, especially the ground-breaking ZOOdubs home-studio dubbing solution.
- Near-term need for clients to adopt cloud-based dubbing may lead to long-term uptake.

**KEY DATA**

Ticker ZOO.L  
Market Cap £41m  
Index/market AIM  
Fall from 6m high 37%



Dubbing Services



Subtitling Services



Media Localization Services



Digital Distribution Services

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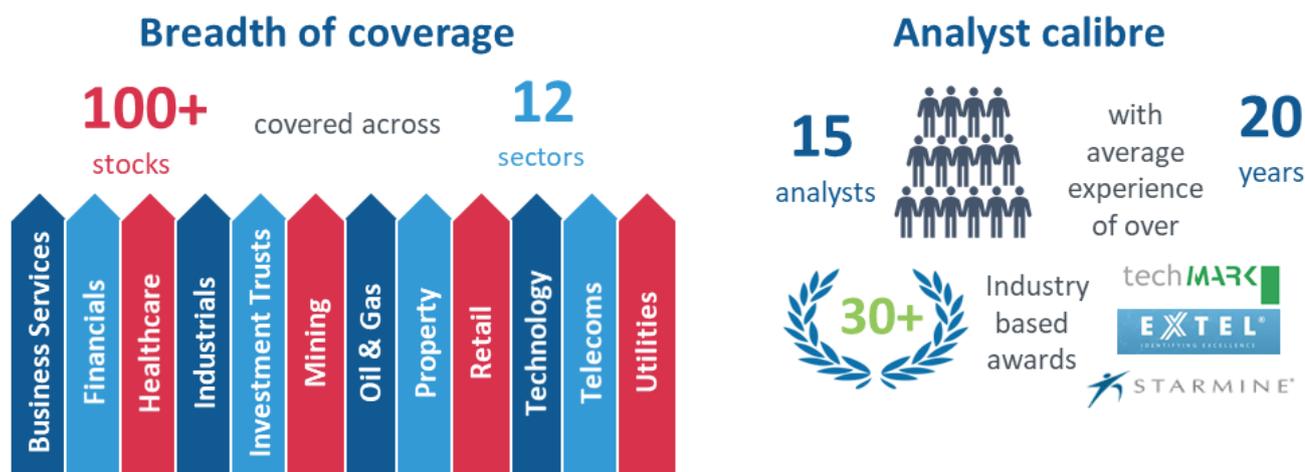
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