TERN PLC
SOFTWARE AND COMPUTER SERVICES
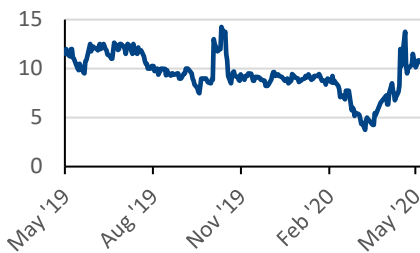
20 May 2020

TERN.L

10.75p

Market Cap: £30.5m

SHARE PRICE (p)

12m high/low	14.3p/3.8p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£1.0m *(as at 31/12/19)*
Enterprise value	£29.5m
Index/market	AIM
Next news	Interim results
Shares in Issue (m)	283.4
Chairman	Ian Ritchie
Chief Executive	Albert E Sisto
Finance Director	Sarah Payne

COMPANY DESCRIPTION

Tern predominantly invests in software companies, with proven technology, based in the UK but with global ambition.

www.ternplc.com

TERN PLC IS A RESEARCH CLIENT OF PROGRESSIVE

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Wyld about IoT

Wyld Networks, a Tern investee, has announced a contract to work with the NHS in Scotland to help care homes reduce the spread of COVID-19. Although the deal itself is likely to be relatively small (no financial details are given), we believe that the agreement demonstrates Internet of Things (IoT) in action, in a way and at a time that could gain material public and investor attention. Tern has simultaneously announced the transfer of a £1.1m debt from Wyld into a Convertible Loan Note form.

- **Deal announced** Wyld has today announced a deal with Highland Health Ventures Ltd which in turn has a collaboration agreement NHS Highland. Wyld will deploy mesh networks in care homes in Scotland with the aim of managing access control and monitoring the contact between residents, staff and visitors within the care home setting. We explain overleaf, but in essence a "mesh network" is a network of fixed and mobile devices (including mobile phones, wristbands and fixed "beacons") which can accurately and in real time monitor location of device relative to the others. By analysing and acting upon the relative locations of devices (and people) the network can be used to modify behaviour and improve adherence to social distancing objectives.

- **Signal value** Clearly, given the COVID-19 pandemic and its disproportionate impact on the vulnerable care home community, such a project could generate material and measurable benefits – highlighting both the value within Wyld, and more broadly the exceptional possibilities afforded by IoT. We see this as an exceptionally good example of IoT in a real-world setting providing benefits that would otherwise be almost impossible.

- **Tern loan altered to Convertible** At the same time as the announcement of the agreement above, Tern has announced the transfer of £1.1m of debt (owed by Wyld to Tern) into a Convertible Loan Note structure – terms include a 20% discount to any future material fundraise or exit by Wyld. Tern's investment in Wyld (prior to today's news) was recently valued at some £0.9m (the previously-declared value of the debt).

Overall, we believe that today's news is extremely positive, and that both the Wyld agreement and Tern's subscription for the convertible loan note are material moves forward for the group. We look forward to watching the development of both Tern and Wyld over coming months.

INVESTEE COMPANIES

What are mesh networks ?

Mesh networks are flexible clusters of devices, running software to allow them to combine into one "living" network and to achieve a given common aim. They normally include fixed "beacon" devices with known locations and good connectivity, mobile phones, and other "tags" (wristbands / device locators and so on) to demarcate specific items or people. The mesh analyses the devices' positions, starting with the "known" locations of fixed elements, and incorporating the positions of the mobile elements, both relative to these static points and relative to each other, combining GPS locations where available and using complex mathematical "trilateration" (a form of triangulation).

SIMPLE MESH NETWORK EXAMPLE
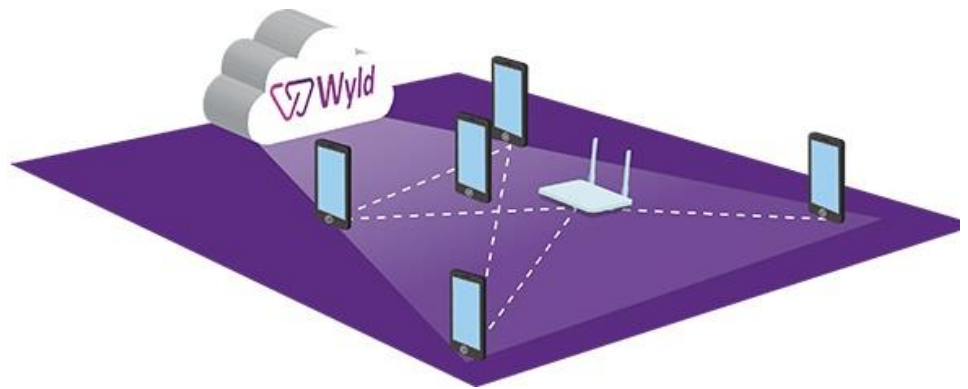
Source: Company information

This technology has been under development for some time, and has many use cases, at various levels of development. There are many applications in Industrial IoT (managing assets across a factory setting), but the most exciting probably relate to retail and consumer settings, where customers' mobile phones offer both location information and the ability to convey information to & from the user….the examples below cover both retail and sports/stadium settings, with multiple opportunities to combine location, information, ecommerce opportunities and "value-added offers" to shoppers or sports fans.

APPLICATIONS OF MESH NETWORKS IN RETAIL AND STADIUM SETTINGS

Source: Company information

What has been announced today ?

Wyld Networks has announced that it will be working with NHS Highland and Highland Health Ventures Ltd, to test and deploy mesh networks into care homes in Scotland. The aim is to use mesh networks to understand the relative positioning, in real time, of care home residents, workers (both full-time and contract staff) and visitors.

This will allow care homes (through easily configured workflow structures) to :

- establish "geofences" which alert individuals (or a central monitoring point) when someone enters a specific zone, or the care home as a whole. Many locations are designating "COVID" and "non-COVID" areas within a single facility, and alerting staff and visitors to the boundaries of these zones could help enforce adherence to associated policies

- alert an individual who moves too close to another (this could be via text message or vibration/other alert on the mobile device)

- allow rapid and precise analysis of people who have had contact with a specific resident, staff member or visitor in the event of a confirmed or suspected COVID-19 case

- enable staff and visitors to confirm their COVID-19 health status prior to entering certain access-restricted zones, and/or the care home in general.

For example, certain members of staff may be designated to only work in a COVID-free area of the facility – they should not be located within the COVID-risk rooms or floors. Equally, if a resident has been for some time in a COVID-risk area, their transfer to a COVID-free location should only be undertaken with due regard to quarantine periods or isolation.

Overall, the Wyld Networks mesh solution will afford care home management a new method to assist with access control, monitoring and alerting around social distancing. This is being achieved with existing IoT technologies, rapidly adapted to the COVID-19 pandemic, a clear example of the flexibility and relevance of the IoT sector.

What might be next ?

If the initial deployment is successful, the technology could potentially be rolled out rapidly to a larger number of care homes (or even other health facilities).

We await further news once the first implementations have been completed, but given what appears to be a long-lasting COVID-19 risk timeframe, and the fact that care homes have historically been poor at managing infection of many other types, there seems to be a major and long-term opportunity for both Wyld and Tern.

There is a clear and immediate need for some way to manage and improve social distancing within the care home environment – and IoT, through mesh networking, can provide a compelling and relatively low-cost solution.
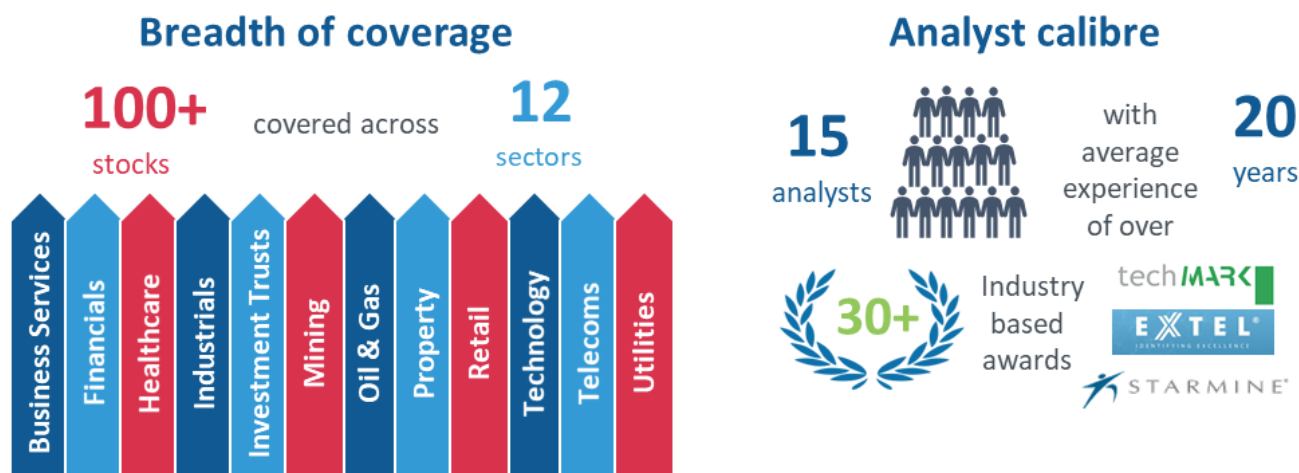
Disclaimers and Disclosures

Breadth of coverage

100+ stocks covered across **12** sectors

Business Services | Financials | Healthcare | Industrials | Investment Trusts | Mining | Oil & Gas | Property | Retail | Technology | Telecoms | Utilities

Analyst calibre

15 analysts with average experience of over **20** years

30+ Industry based awards

techMARK | EXTEL | STARMINE

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