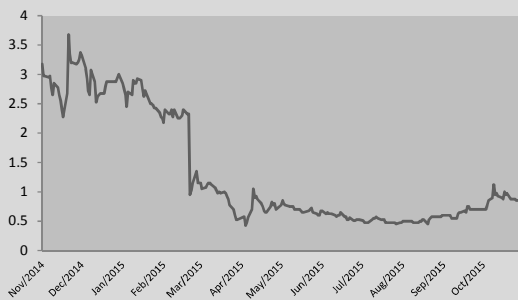


Key Statistics

Code	: COMS
Listing	: AIM
Sector	: Software & Computer Services
Market Cap	: £11.8m
Share in issue	: 1,390m
Current Price	: 0.85p
12 month High/Low:	: 3.675p/0.425p

Stock Performance



Source: Fidessa

Company description

COMS is committed to be a market leader, extending its Smart Building services to bring client experience and control of their buildings to a new level, utilising the IP network and collaboration between disparate building systems on an integrated platform. The Company intends to capitalise on accelerating growth in the construction industry and, in particular, the fast growing Smart Buildings sector where Redstone has already delivered strong referenceable solutions to a number of landmark projects. The potential in these markets as they go through both structural and technological change is enormous. Redstone is well positioned to service this opportunity and its focus is to develop this capability through a combination of product development, organic growth and acquisitions. The Group also owns Darkside Studios, which has a cutting edge studio producing world class animation as well as CGI, 2D and 3D animation projects.

HYBRIDAN LLP

20 Ironmonger Lane, London, EC2V 8EP
Website: www.hybridan.com

Derren Nathan
Tel: 020 3764 2344
Email: derren.nathan@hybridan.com

All Change Please

There is not much in the way of actual coms left at Coms following the disposal of the loss making telecoms business in H1 this year for £2.5m. That is not the only change. The Board has been substantially refreshed with a new CEO, CFO and Non-Executive Director. The company has realised £360k of annual cost savings on property costs, with potentially more to come.

The foundation on which the Board plans to rebuild the business is Redstone, the UK's largest IT networking & intelligent buildings systems integrator.

The Group is now profitable having made EBITDA of £1.1m from continuing operations and £0.7m after central costs in H1. The property rationalisation should help to close this gap going forward.

Opportunities for growth

- To leverage **Redstone's excellent reputation** for quality of service in order to take further market share and bring on selective acquisitions in this fragmented market.
- To further develop the company's IP particularly in the **intelligent buildings (aka internet of things)** space. Within Redstone sits OneSpace, a product which enables organisations to better manage building occupancy, thereby improving productivity and reducing costs.

If H1 is an indicator of H2 then COMS is on track to generate over £42m of annual revenue. On that basis it is on just a 0.3x EV/sales multiple, with the wider sector priced at ten times that level. What's more when stripping out non cash and exceptional items the company has a 3% operating margin before it implements its self help and expansion programme so plenty of potential profit growth. With net debt of £0.1m and a £2m facility the company has no pressing financial constraints but we believe it would seek to maximise its listing once due diligence on acquisition targets is complete.

Income Statement

	Six months to 31 July 2015	Six months to 31 July 2014	Year ended 31 January 2015
	Unaudited £000	Unaudited £000	Audited £000
Continuing operations			
Revenue	21,322	15,493	30,567
Cost of sales	-17,715	-12,867	-24,946
Gross profit	3,607	2,627	5,621
Administrative expenses	-2,948	-2,159	-6,237
Adjusted EBITDA/(LBITDA)*	659	468	-616
Integration and transactional costs included within administrative expenses	-326	-	39
Depreciation	-230	-256	-474
Amortisation	-27	-23	-58
Share based payment charge	-28	-26	-54
Impairment charge	-	-	-71
Operating profit/(loss)	48	163	-1,234
Net finance costs/(income)	38	-43	239
Profit/(loss) for the period before tax	10	206	-1,473
Taxation	-	-	-
Profit/(loss) for the period after tax	10	206	-1,473
Loss from discontinued operations, net of tax	-1,212	-421	-13,597
Loss for the period	-1,202	-215	-15,070
Total comprehensive loss for the period attributed to equity holders	-1,202	-215	-15,070
Basic and diluted earnings/(loss) per share			
Continuing operations	0.00p	0.02p	(0.15)p
Discontinued operations	(0.11)p	(0.04)p	(1.42)p
Total	(0.11)p	(0.02)p	(1.57)p

Source: RNS announcements

Balance Sheet

	31 July 2015	31 July 2014	31 January 2015
	Unaudited	Unaudited	Audited
	£0	£0	£0
ASSETS			
Non-current assets			
Goodwill	9,074	19,372	9,651
Other intangible assets	112	1,959	1,718
Property, plant and equipment	1,068	2,336	1,797
Deferred tax asset	-	204	-
	10,254	23,871	13,166
Current assets			
Inventories	204	654	305
Trade and other receivables	12,346	13,870	10,658
Cash and cash equivalents	879	974	492
	13,429	15,498	11,455
Total assets	23,683	39,369	24,621
EQUITY and LIABILITIES			
Capital and reserves attributed to equity shareholders			
Share capital	3,432	3,008	3,015
Share premium	29,430	27,764	27,816
Merger reserve	1,911	1,911	1,911
Reverse acquisition reserve	(4,236)	(4,236)	(4,236)
Accumulated deficit	(20,702)	(4,701)	(19,528)
Total equity	9,835	23,746	8,978
Current liabilities			
Overdraft	996	-	878
Trade and other payables	11,909	15,623	13,602
Provisions	943	-	878
	13,848	15,623	15,358
Non-current liabilities			
Deferred tax	-	-	285
Total liabilities	13,848	15,623	15,643
Total equity and liabilities	23,683	39,369	24,621

Source: RNS announcements

	Six months to 31 July 2015 Unaudited £000	Six months to 31 July 2014 Unaudited £000	Year ended 31 January 2015 Audited £000
Cash flows from operating activities			
Loss before taxation		(456)	(14,898)
Depreciation	301	536	820
Amortisation	113	-	373
Share based payments	28	26	54
One off reorganisation costs	-	(797)	-
Release of deferred consideration	-	-	(1,294)
Net finance costs	39	-	245
Intangible asset impairment	-	9	1,360
Property, plant and equipment impairment	-	-	416
Goodwill impairment	-	-	6,907
Movement in provisions	65	(275)	878
Loss on sale of fixed assets	24	-	21
Loss on sale of discontinued operation, net of tax	99	-	-
Operating cash flows before movements in working capital	(818)	(957)	(5,118)
Decrease in inventories	8	29	101
Increase in receivables	(1,936)	(3,765)	(325)
(Decrease)/increase in payables	(1,437)	823	1,944
Net cash used in operating activities	(4,183)	(3,870)	(3,398)
Cash flows from investing activities			
Disposal of Telephony Services business and assets	2,500	-	-
Acquisition of subsidiaries (net of cash acquired)	-	(2,938)	(3,770)
Acquisition of intangibles assets	-	(88)	(15)
Proceeds from sale of property, plant and equipment	23	-	54
Acquisition of property, plant and equipment	(64)	(1,072)	(2,206)
Net cash used in investing activities	2,459	(4,098)	(5,937)
Cash flows from financing activities			
Proceeds from issues of share capital (net of issue costs)	2,031	7,943	8,003
Net finance costs	(38)	-	(53)
Net cash from financing activities	1,993	7,943	7,950
Net increase/(decrease) in cash and cash equivalents	269	(25)	(1,385)
Cash and cash equivalents at start of period	(386)	999	999
Cash and cash equivalents at end of period	-117	974	(386)

Source: RNS announcements

Disclaimer

This document, which does not constitute research, has been issued by Hybridan LLP for information purposes only and should not be construed in any circumstances as an offer to sell or solicitation of any offer to buy any security or other financial instrument, nor shall it, or the fact of its distribution, form the basis of, or be relied upon in connection with, any contract relating to such action. This document has no regard for the specific investment objectives, financial situation or needs of any specific entity and is not a personal recommendation to anyone. Recipients should make their own investment decisions based upon their own financial objectives and financial resources and, if any doubt, should seek advice from an investment advisor.

The information contained in this document is based on materials and sources that are believed to be reliable; however, they have not been independently verified and are not guaranteed as being accurate. This document is not intended to be a complete statement or summary of any securities, markets, reports or developments referred to herein. No representation or warranty, either express or implied, is made or accepted by Hybridan LLP, its members, directors, officers, employees, agents or associated undertakings in relation to the accuracy, completeness or reliability of the information in this document nor should it be relied upon as such.

Any and all opinions expressed are current opinions as of the date appearing on this document only. Any and all opinions expressed are subject to change without notice and Hybridan LLP is under no obligation to update the information contained herein. To the fullest extent permitted by law, none of Hybridan LLP, its members, directors, officers, employees, agents or associated undertakings shall have any liability whatsoever for any direct or indirect or consequential loss or damage (including lost profits) arising in any way from use of all or any part of the information in this document.

This document should not be relied upon as being an independent or impartial view of the subject matter and, for the avoidance of doubt, does not constitute "independent investment research" for the purposes of the Financial Conduct Authority rules. The individuals who prepared this document may be involved in providing other financial services to the company or companies referenced in this document or to other companies who might be said to be competitors of the company or companies referenced in this document. As a result both Hybridan LLP and the individual members, directors, officers and/or employees who prepared this document may have responsibilities that conflict with the interests of the persons who receive this document. Hybridan LLP and/or connected persons may, from time to time, have positions in, make a market in and/or effect transactions in any investment or related investment mentioned herein and may provide financial services to the issuers of such investments.

In the UK, this document is directed at and is for distribution only to persons who (i) fall within Article 19(5) (persons who have professional experience in matters relating to investments) or Article 49(2) (a) to (d) (high net worth companies, unincorporated associations, etc) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 (as amended) or (ii) are Professional Clients or Eligible Counterparties (as those terms are defined in the rules of the Financial Conduct Authority) of Hybridan LLP (all such persons referred to in (i) and (ii) together being referred to as "relevant persons"). This document must not be acted on or relied up on by persons who are not relevant persons. For the purposes of clarity, this document is not intended for and should not be relied upon by persons who would be classified as Retail Clients (as defined by the rules of the Financial Conduct Authority).

Neither this document nor any copy of part thereof may be distributed in any other jurisdictions where its distribution may be restricted by law and persons into whose possession this document comes should inform themselves about, and observe, any such restrictions. Distribution of this report in any such other jurisdictions may constitute a violation of UK or US securities law, or the law of any such other jurisdictions.

Hybridan LLP and/or its associated undertakings may from time-to-time provide investment advice or other services to, or solicit such business from, any of the companies referred to in this document. Accordingly, information may be available to Hybridan LLP that is not reflected in this material and Hybridan LLP may have acted upon or used the information prior to or immediately following its publication. In addition, Hybridan LLP, the members, directors, officers and/or employees thereof and/or any connected persons may have an interest in the securities, warrants, futures, options, derivatives or other financial instrument of any of the companies referred to in this document and may from time-to-time add or dispose of such interests.

Neither the whole nor any part of this document may be duplicated in any form or by any means. Neither should this document, or any part thereof, be redistributed or disclosed to anyone without the prior consent of Hybridan LLP.

Hybridan LLP is a limited liability partnership registered in England and Wales, registered number OC325178, and is authorised and regulated by the Financial Conduct Authority and is a member of the London Stock Exchange. Any reference to a partner in relation to Hybridan LLP is to a member of Hybridan LLP or an employee with equivalent standing and qualifications. A list of the members of Hybridan LLP is available for inspection at the registered office, 2 Jardine House, The Harrovian Business Village, Bessborough Road, Harrow, Middlesex HA1 3EX.