

3 contract renewals worth £0.9m in ARR

25th June 2020

If there's one key takeaway from COVID-19, it's that the pandemic has accelerated 'cloud' adoption, and focused C-suite attention on cost savings, productivity & supply chain optimisation.

All of these secular trends are right in the sweetspot of Rosslyn's Big Data & Spend Analytics SaaS platform, RAPid. The company today announcing that it had **extended 3 contracts**, worth a **combined £0.9m** of **ARR** (annualised recurring revenues) and **£1.5m** in **total value**.

Increasing importance of RDT's software

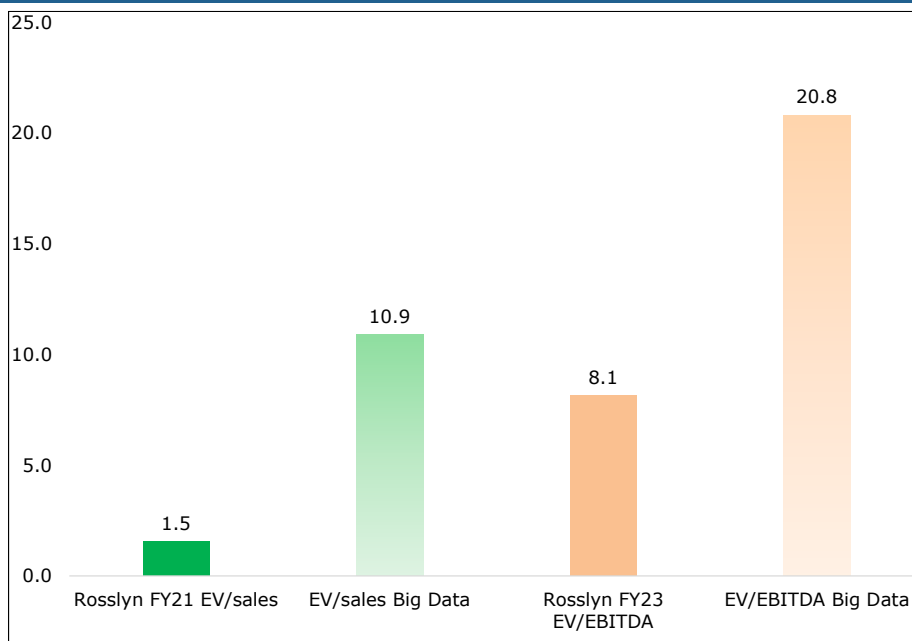
Namely with an international telecoms business, a world-renowned American university, and a UK government department to between Sept'21-Jun'23. Highlighting once again, the **criticality of the firm's leading technology and services**.

CEO Roger Bullen commenting "We're pleased that these blue-chip clients are prepared to commit for longer periods. This says a great deal about confidence in Rosslyn, and our ongoing commitment to maintain and improve our products."

No change to forecasts or 9.5p/share valuation

In terms of the numbers, these 3 renewals **add further visibility**, support our £6.4m FY21 ARR estimate (£6.0m LY), and reinforce the **modest 9.5p/share valuation**.

Valuation benchmarks vs Big Data peers



Source: Equity Development

Moreover, if the Board can achieve its **strategic objective of tripling ARR by April'23** – then there should be no reason why the valuation could not justify at least a 3x-5x EV/sales multiple: equivalent to £54m-£90m, or 16p-26p/share.

Company Data

EPIC	AIM:RDT
Price (previous close)	5.25p
52 weeks Hi/Lo	7.6p/3.6p
Market cap	£17.8m
ED valuation / share	9.5p
Sharecount (post placing)	338.9m
Est proforma net cash (post placing)	£6.0m
Avg. daily volume	500k

Share Price, p



Source: Share Cast

Description

Founded in 2005 and listed on AIM in Apr'14 at 33p raising £10m, Rosslyn Data Tech is a **Big Data & spend analytics SaaS** specialist helping corporates optimise their supply chains, streamline operations and eliminate unnecessary expenditure.

An estimated 79% (ARR £6.0m, or annualised recurring revenues) of **FY20 revenues (£7.1m)** are **'recurring in nature'**, which coupled with **high retention rates**, provides **robust forward visibility**.

Here the majority of sales are direct, albeit partnerships are growing in importance too. Likewise the business continues to expand outside of the UK, especially in the US & continental Europe. Headcount is around 70.

Next news: FY20 prelims Sept'20

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Key risks

- RDT is signing large multi-year deals with international organisations, where timing is hard to predict – inevitably leading to a degree of lumpiness in the revenues.
- The competitive landscape could intensify. For example major cloud vendors like Amazon, Microsoft & Google already offer native Hadoop and Big Data services.
- Unforeseen events such as a severe economic downturn could potentially delay client investments.
- Anticipated growth/profitability may take longer than envisaged, cost more or not be fully realised.
- Foreign exchange fluctuations.
- Regulatory and tax changes. Generic risks of retention/recruitment of key staff, etc.
- As with many small cap AIM stocks, daily trading volumes can occasionally decline, particularly during seasonally quieter periods and/or between newsflow.
- Being relatively small, Rosslyn could get squeezed by larger rivals, partners and customers.

Summary projections (£'000s)

Rosslyn Data Technologies (April yearend)	2018 Act £'000s	2019 Act £'000s	2020 Est £'000s	2021 Est £'000s	2022 Est £'000s	2023 Est £'000s	2024 Est £'000s	2025 Est £'000s	2026 Est £'000s	2027 Est £'000s
Annual recurring revenues		5,400	6,050	6,393	7,352	8,455	9,723	11,181	12,859	14,787
Contract backlog		5,100	6,171	6,521	7,499	8,624	9,917	11,405	13,116	15,083
Annual Licence Fees	4,979	5,437	5,650	5,763	6,627	7,622	8,765	10,080	11,591	13,330
Professional services	1,454	1,528	960	970	1,067	1,173	1,291	1,420	1,562	1,718
Langdon	0	0	490	900	1,035	1,190	1,369	1,574	1,810	2,082
Turnover	6,433	6,965	7,100	7,633	8,729	9,985	11,424	13,073	14,963	17,130
% growth	83.5%	8.3%	1.9%	7.5%	14.4%	14.4%	14.4%	14.4%	14.5%	14.5%
Gross Profit	4,895	5,549	5,765	6,198	7,132	8,208	9,448	10,877	12,524	14,423
% margin	76.1%	79.7%	81.2%	81.2%	81.7%	82.2%	82.7%	83.2%	83.7%	84.2%
Opex (ex SBPs, Depr & Amortisation)	-6,711	-5,981	-5,600	-5,852	-6,269	-6,527	-6,795	-7,156	-7,668	-8,454
EBITDA (pre SBPs, IFRS16)	-1,816	-432	165	346	863	1,680	2,652	3,721	4,856	5,969
Share based payments (SBPs)	-195	-125	-150	-200	-214	-230	-246	-264	-283	-304
Adjusted EBITDA (post SBPs)	-2,010	-557	15	146	648	1,450	2,406	3,456	4,573	5,665
% Margin	-31.2%	-8.0%	0.2%	1.9%	7.4%	14.5%	21.1%	26.4%	30.6%	33.1%
Adjusted EBIT (ex IFRS16)	-3,074	-1,610	-1,235	-1,152	-746	-48	795	1,725	2,711	3,662
% Margin	-47.8%	-23.1%	-17.4%	-15.1%	-8.6%	-0.5%	7.0%	13.2%	18.1%	21.4%
Interest	-101	-86	-200	-150	-150	0	0	0	0	0
Adjusted Profit before Tax	-3,175	-1,696	-1,435	-1,302	-896	-48	795	1,725	2,711	3,662
Adjusted EPS (p - ex IFRS16)	-1.5p	-0.6p	-0.6p	-0.4p	-0.3p	0.0p	0.2p	0.4p	0.6p	0.8p
EPS growth rate					-31.9%	-94.7%	-1572.2%	90.9%	55.6%	33.8%
Dividend (p)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation benchmarks										
P/E ratio						-377.1	25.6	13.4	8.6	6.4
EV/Sales	1.8	1.7	1.7	1.5	1.4	1.2	1.0	0.9	0.8	0.7
EV/EBITDA (post SBPs)				80.8	18.2	8.1	4.9	3.4	2.6	2.1
EV / EBITA (post SBPs)						-245.0	14.8	6.8	4.4	3.2
EBITDA drop through rates			423.9%	24.6%	45.8%	63.9%	66.4%	63.7%	59.1%	50.4%
Effective corporate tax rate		0.0%	0.0%	0.0%	0.0%	0.0%	-10.0%	-20.0%	-20.0%	-20.0%
PEG ratio							-0.02	0.15	0.16	0.19
Net cash/(debt)	-757	373	-800	5,347	5,474	6,369	7,929	10,030	12,771	16,091
Sharecount (Ks)	183,820	192,676	194,602	338,916	342,305	345,728	349,185	352,677	356,204	359,766
Diluted sharecount	201,177	209,558	211,485	355,798	359,188	362,611	366,068	369,560	373,087	376,649
Shareprice (p)	5.25p									

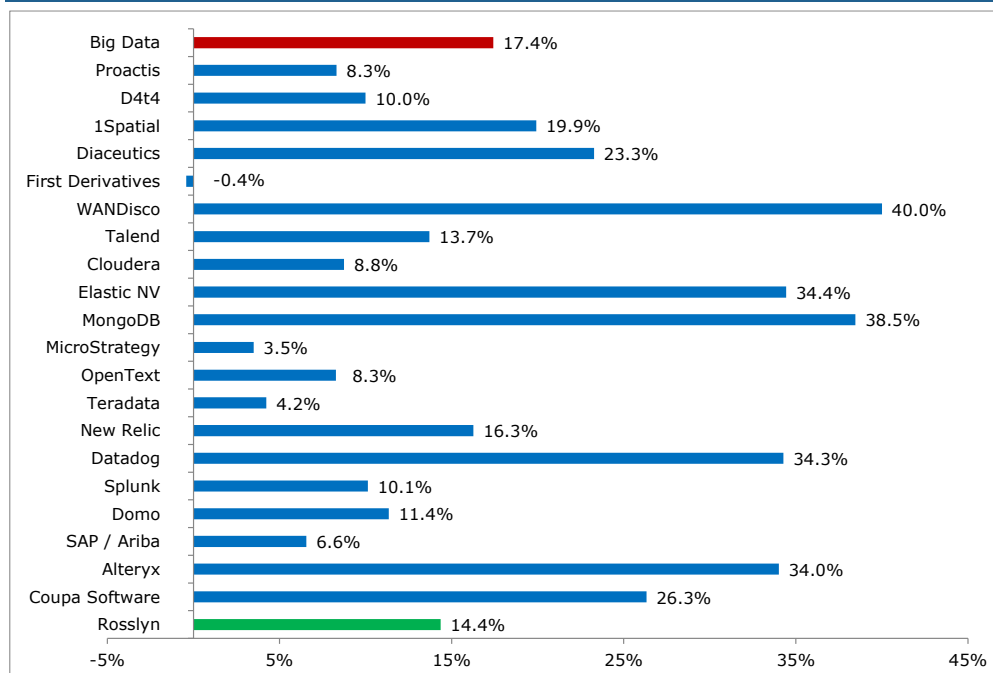
Source: ED estimates, Company historic data.

Note 1: At as 30th April 2019, the Group had carried forward tax losses of £13,762k available to be offset against future profits. Meanwhile the deferred revenue balance was £2,658k (vs FY18 at £2,300.7k).

Note 2: All R&D is presently expensed as incurred - ie not capitalised.

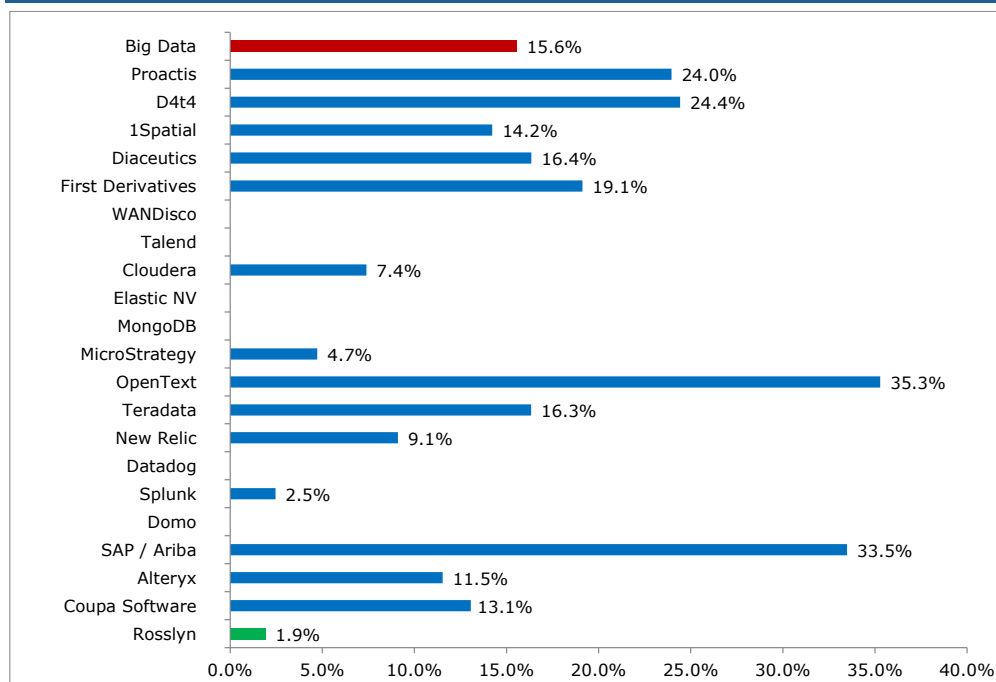
Appendices - sector valuation metrics and KPIs

Current Year + 1 sales growth rates



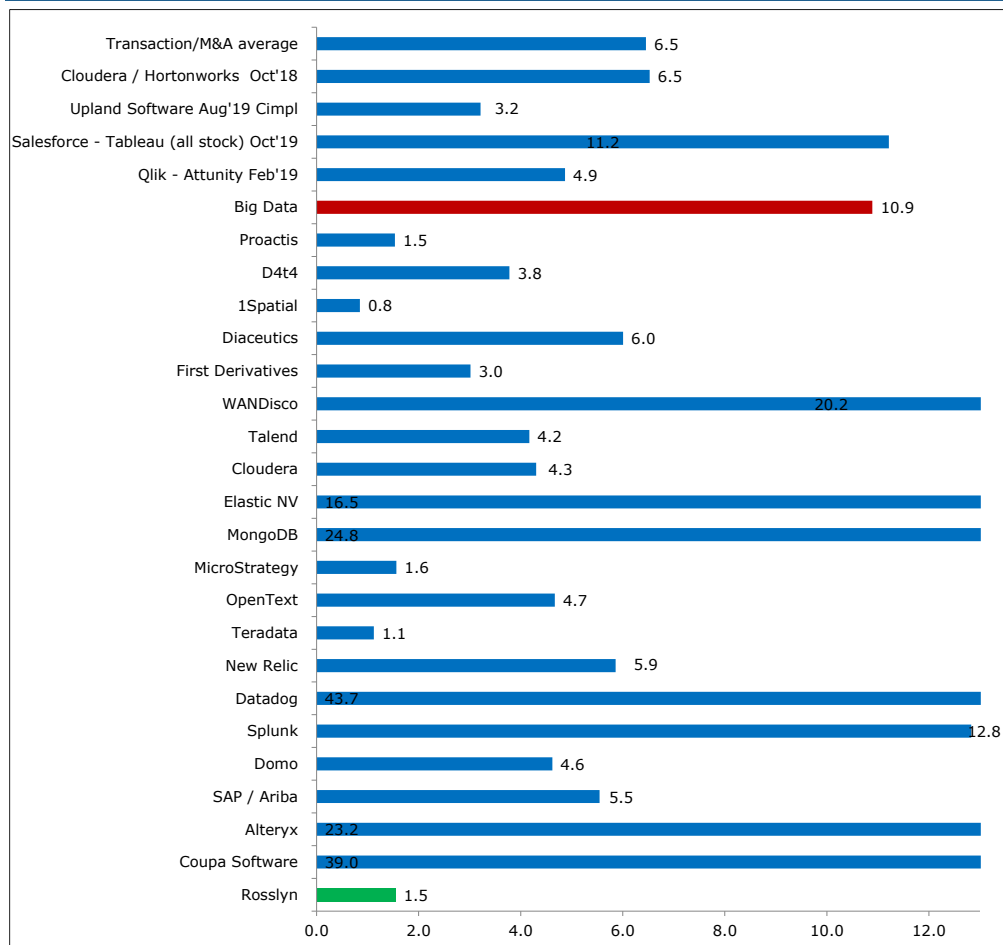
Source: Equity Development : arithmetic average for sector

CY EBITDA margins



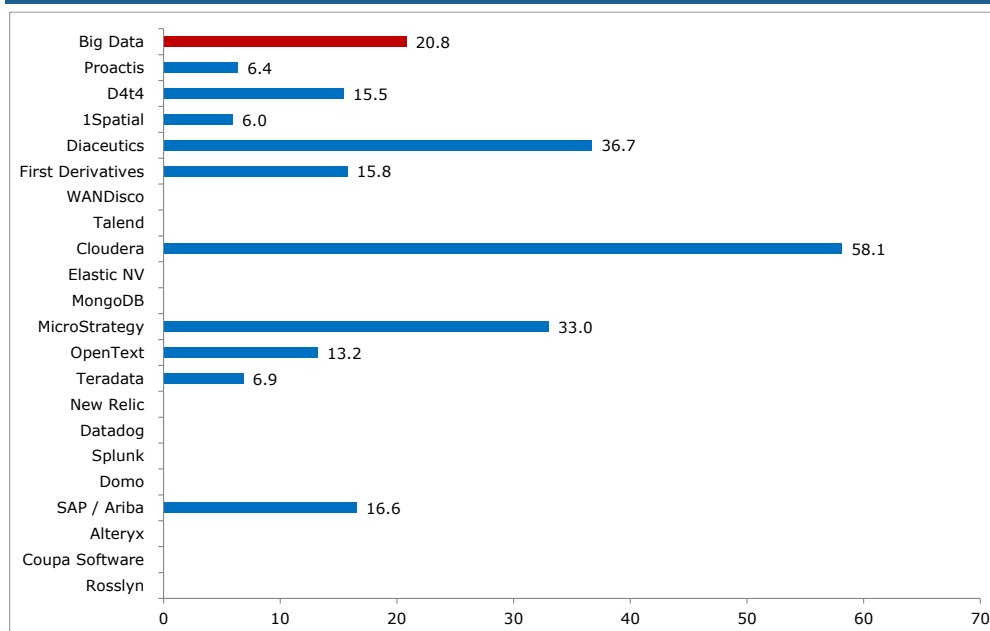
Source: Equity Development, arithmetic average for sector. RDT shown post SBPs

CY EV/sales multiples vs peers



Source: Equity Development : arithmetic average for sector

CY EV/EBITDA multiples vs peers



Source: Equity Development : arithmetic average for sector

Marketing capitalisation of peers

	Shareprice	Mrk Cap (Millions)	CY net cash / (debt) Millions	Enterprise Value (Millions)
Rosslyn	5.25p	£17.8	£6.0	£11.8
Coupa Software	\$260	\$19,110	\$20	\$19,090
Alteryx	\$162	\$11,016	-\$460	\$11,476
SAP / Ariba	€ 122	€ 145,180	-€ 10,586	€ 155,766
Domo	\$31.00	\$853	-\$2	\$855
Splunk	\$193	\$30,880	\$615	\$30,265
Datadog	\$89.00	\$25,365	\$774	\$24,591
New Relic	\$72.0	\$4,266	\$339	\$3,927
Teradata	\$20.0	\$2,160	\$122	\$2,038
OpenText	\$43.0	\$11,653	-\$2,671	\$14,324
MicroStrategy	\$117	\$1,217	\$457	\$760
MongoDB	\$216	\$12,960	\$75	\$12,885
Elastic NV	\$92	\$7,250	\$251	\$6,999
Cloudera	\$12.60	\$3,856	\$169	\$3,687
Talend	\$34.0	\$1,122	-\$4	\$1,126
WANDisco	\$8.37	\$429.2	\$25.8	\$403.4
First Derivatives	£24.5	£668.9	-£49.0	£717.9
Diaceutics	154p	£107.2	£11.7	£95.5
1Spatial	24p	£26.4	£5.5	£20.9
D4t4	235p	£94.7	£12.7	£82.0
Proactis	37.0p	£35.3	-£42.1	£77.4

Source: Equity Development



Investor Access

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