

Poised for major break-through

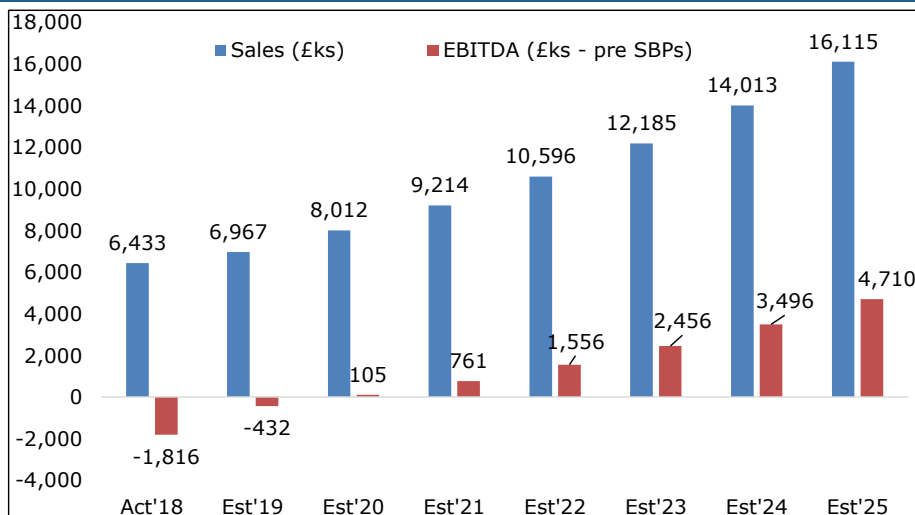
Due to the enormous popularity of e-commerce, social media and digital 2.0, data analytics has become the '*battleground du jour*' for large multinationals. The only headache being how to effectively 'mine' such vast quantities of disparate in-house, external, structured and unstructured material, in order to generate useful & actionable insights.

One company doing exactly this is Rosslyn, a Big Data & spend control software solution provider, focused squarely on the supply chain. Its best-of-breed cloud platform (RAPid) enables corporates to not only significantly reduce costs and improve productivity, but also enhance revenues, optimise supplier performance and comply with regulations. Saving customers literally £ms in the process. Ok, so what about performance?

8.3% top line growth alongside tight cost control

Well, the firm said today that **FY19 sales were up 8.3% to £7.0m** vs £6.4m LY - with Annual License Fees climbing 9.2% to £5.4m (£5.0m), and equivalent to 77% of the group. Likewise, **cash from operations rose +£329k** (-£3.45m LY), reflecting a 75% improvement in EBITDA (excluding SBPs) to -£432k (-£1.8m), alongside **lower opex**, which came in at £6.0m (£6.7m) despite absorbing £0.9m of R&D (12.9% sales).

Estimated sales and EBITDA (pre SBPs)



Source: Equity Development. RDT's yearend is April. SBPs = share based payments.

Revenues set to accelerate 15% this year to £8.0m

Better still, thanks to higher future investment in sales & marketing and a promising pipeline, **we reckon turnover will jump 15% LFL in FY20 to £8.0m**. In turn, driving **EBITDA (pre SBPs) above breakeven** this year, with RDT becoming **self-funded towards the end of FY21**.

With regards to the balance sheet, **the company closed April 2019 with net cash of circa £0.35m** - which, alongside a £1.5m term loan (£1m utilised) from Clydesdale Bank and cash balances of £2.0m, should provide sufficient headroom to fund all organic expansion.

29th May 2019

Company Data

EPIC	AIM:RDT
Price (prior close)	7.0p
52 week Hi/Lo	9.0p/4.3p
Market cap	£13.5m
ED valuation / share	12.0p
Sharecount	192.7m
Est. net cash (April 2019)	£0.35m
Avg. daily volume	100k

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 control software solution provider**, whose cloud platform (RAPid) intelligently extracts, aggregates and enriches data from multiple sources.

Enabling clients to not only cut costs (eg BOMs), reduce working capital (eg inventory) & comply with regulations, but also enhance revenues (eg end-user demand forecasting), optimise supplier performance and improve efficiencies, productivity & cashflows.

77% (or £5.4m) of FY19 revenues are 'recurring, which coupled with **c. 95% retention rates**, provides strong visibility. Average order values are increasing too (H1'19 £85.4k). Approx 88% of sales is invoiced from the UK, with the rest derived from the US.

Next news: Prelims September 2019

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Self funded by end of FY21 and beyond

That said, after a favourable start to Q3'19, new contract wins did temporarily soften in Q4 (Est 11.3% H1 LFL vs 5.4% H2). Here we suspect a few orders may have slipped over the period end, because of broader macro uncertainties (eg Brexit, trade tariffs) – with FY19 turnover at £7.0m being 7% below our (perhaps overly optimistic) £7.5m target.

Equally though, the overall direction of travel is undoubtedly up, **with the group perfectly poised for a major break-through over next 18-24 months**. Indeed the firm signed numerous contracts last year (eg KLM, Diageo, BAe Systems) across various sectors, including International Logistics, Civil Defence, Healthcare and Pharma. On top, RDT is presently in discussions with several other blue chip clients with the aim of securing further substantial orders (albeit difficult to predict exact timing).

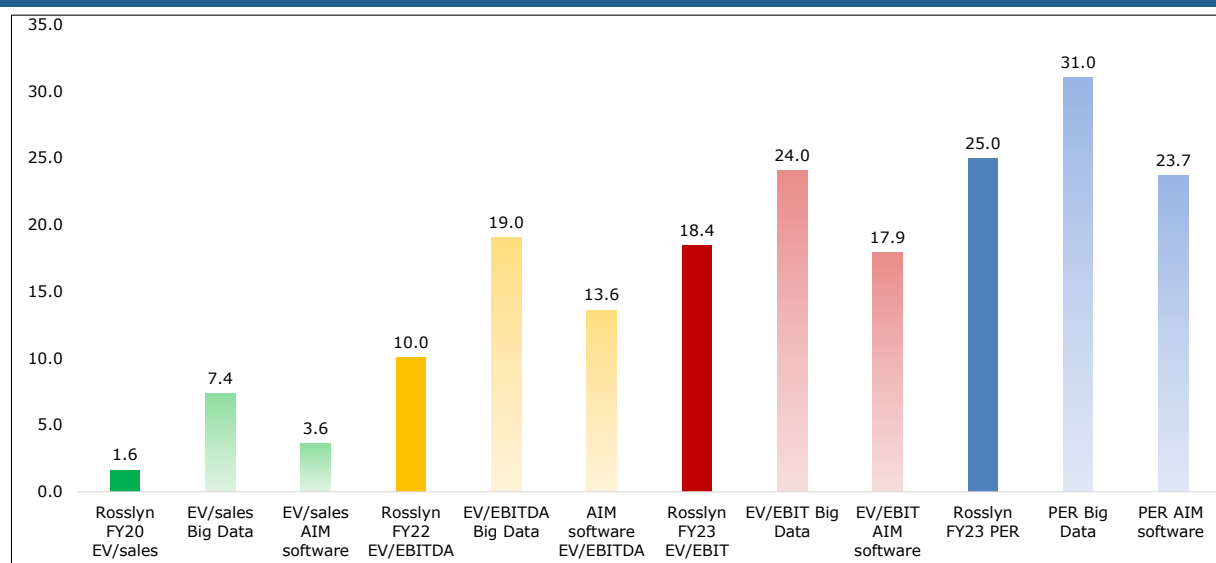
Strong endorsements from blue chip clients

CEO, Roger Bullen commenting ***"We have been able to grow our top line revenues, particularly license fees, reduce our cost base and, most importantly, generate cash during the year, all whilst maintaining excellent service delivery to our clients. The growth in the RAPid platform, which now fully utilises the suite of products purchased in May 2017, enables us to offer our clients a broader solution to benefit from their difficult to reach supply chain data"***.

Valuation trimmed to 12.0p/share from 12.5p

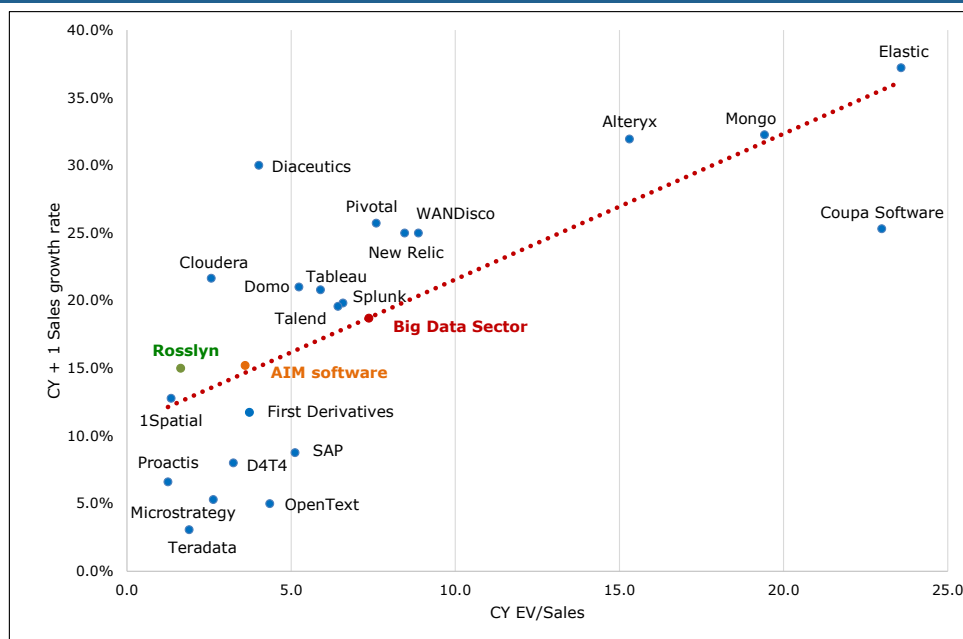
Going forward and in light of the FY19 out-turn, we have nudged down our FY20 estimates – adjusted EBITDA (pre SBPs) of £0.1m on revenues of £8.0m – and similarly shaved the valuation from 12.5p to 12.0p/share. Closing April 2020 net debt is anticipated to be £0.4m. Nonetheless, given the rebound in Big Data stocks during the past 5 months, **RDT continues to look materially undervalued** on a relative and absolute basis.

Valuation benchmarks vs 'Big Data' & AIM Software peers



Source: Equity Development

Current year (CY) EV/sales multiples vs CY+1 growth rates



Source: Equity Development

Key risks

- Although Rosslyn's auditors, Grant Thornton have confirmed the FY18 financial statements are "true and fair", they and the Directors have highlighted that there is a "material uncertainty related to the going concern" (Re Note 2). We accept this as a possible risk, but understand it should not be an issue for the FY19 audit in light of the recently agreed £1.5m loan facility with Clydesdale Bank.
- 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. However, this is not a significant concern at the moment with c. 88% of sales currently invoiced from the UK (vs 12% US).
- Regulatory and tax changes. Generic risks of retention/recruitment of key staff, etc.
- Being relatively small, Rosslyn could get squeezed by larger rivals, partners and customers.
- As with many small cap AIM stocks, daily trading volumes can occasionally decline, particularly during seasonally quieter periods and/or between newsflow.

Summary projections (£'000s)

Rosslyn Data Technologies (April yearend)	2018 Act £'000s	2019 Est £'000s	2020 Est £'000s	2021 Est £'000s	2022 Est £'000s	2023 Est £'000s	2024 Est £'000s	2025 Est £'000s	2026 Est £'000s
Annual License Fees	4,979	5,440	6,371	7,449	8,699	10,146	11,821	13,758	15,999
Professional services	1,454	1,527	1,642	1,765	1,897	2,039	2,192	2,357	2,533
Turnover	6,433	6,967	8,012	9,214	10,596	12,185	14,013	16,115	18,532
% growth	83.5%	8.3%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%	15.0%
Gross Profit	4,895	5,568	6,443	7,456	8,627	9,982	11,550	13,363	15,460
% margin	76.1%	79.9%	80.4%	80.9%	81.4%	81.9%	82.4%	82.9%	83.4%
Opex (ex SBPs, Depr & Amortisation)	-6,711	-6,000	-6,338	-6,695	-7,071	-7,526	-8,053	-8,653	-9,296
EBITDA (pre SBPs)	-1,816	-432	105	761	1,556	2,456	3,496	4,710	6,163
Adj. EBITDA (post SBPs)	-2,010	-632	-110	530	1,307	2,189	3,209	4,401	5,831
% Margin	-31.2%	-9.1%	-1.4%	5.7%	12.3%	18.0%	22.9%	27.3%	31.5%
Adj. EBIT	-3,074	-1,729	-1,291	-743	-63	712	1,618	2,686	3,982
% Margin	-47.8%	-24.8%	-16.1%	-8.1%	-0.6%	5.8%	11.5%	16.7%	21.5%
Interest	-101	-100	-200	-350	-250	-150	-50	0	0
Adj. Profit before Tax	-3,175	-1,829	-1,491	-1,093	-313	562	1,568	2,686	3,982
Adjusted EPS (p)	-1.5	-0.9	-0.8	-0.6	-0.2	0.3	0.7	1.1	1.5
EPS growth rate					-71.6%	-277.7%	148.4%	50.8%	46.8%
Dividend (p)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Valuation benchmarks									
P/E ratio						25.0	10.0	6.7	4.5
EV/Sales	2.0	1.9	1.6	1.4	1.2	1.1	0.9	0.8	0.7
EV/EBITDA (post SBPs)				24.8	10.0	6.0	4.1	3.0	2.3
EV / EBITA (post SBPs)						18.4	8.1	4.9	3.3
EBITDA drop through rates			49.9%	53.2%	56.3%	55.5%	55.8%	56.7%	59.2%
Effective corporate tax rate		0.0%	0.0%	0.0%	0.0%	0.0%	-10.0%	-20.0%	-20.0%
PEG ratio							0.07	0.13	0.10
Net cash/(debt)	-757	354	-432	-791	-367	928	3,058	5,900	9,740
Sharecount (Ks)	183,820	192,676	194,602	196,548	198,514	200,499	202,504	204,529	206,574
Diluted sharecount	201,177	210,033	211,959	213,905	215,871	217,856	219,861	221,886	223,931
Shareprice (p)	7.00								

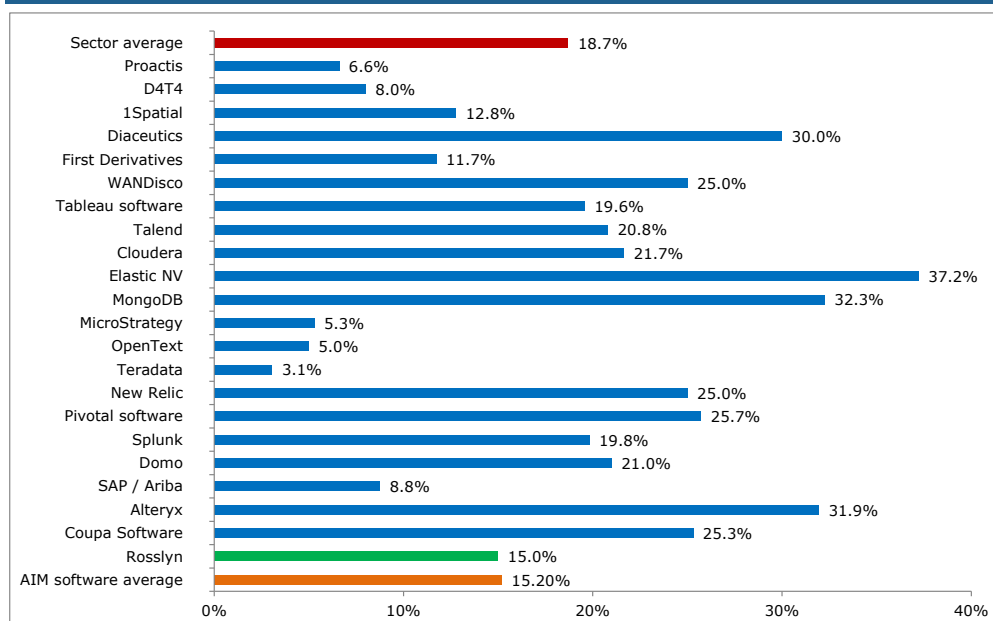
Source: ED estimates, Company historic data.

Note 1: At as 30th April 2018, the Group had carried forward tax losses of £12,095k available to be offset against future profits. Meanwhile the deferred revenue balance was £2,300.7k (vs FY17 restated at £1,024.7k).

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

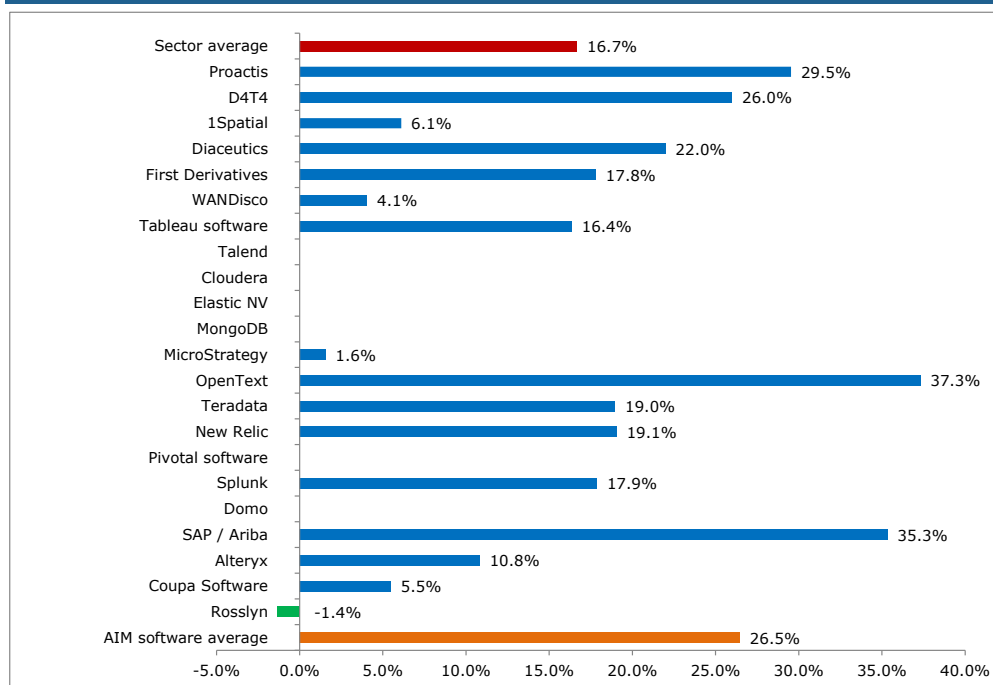
Appendices - sector valuation metrics and KPIs

Current Year + 1 sales growth rates



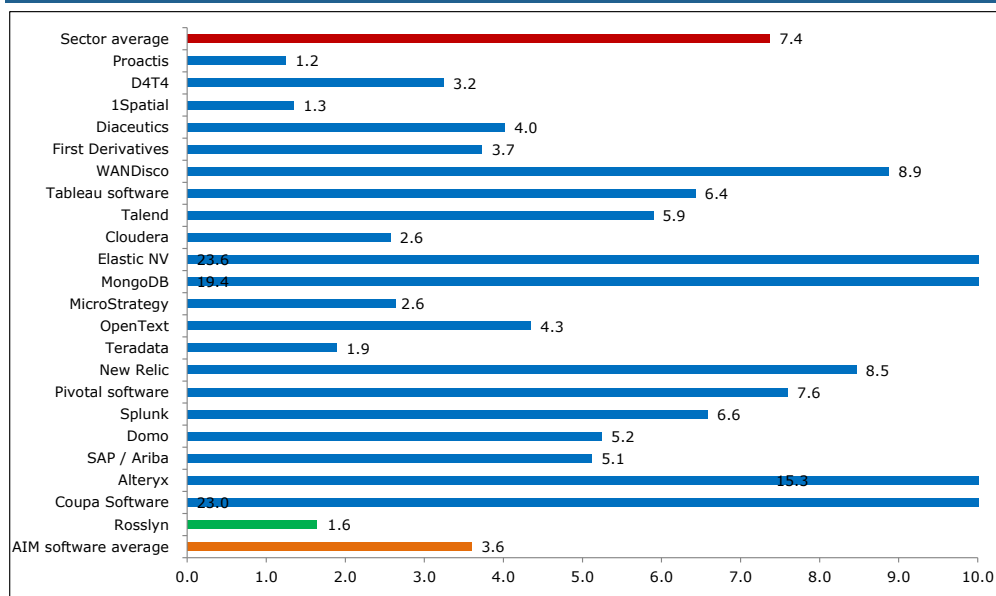
Source: Equity Development : arithmetic average for sector

CY EBITDA margins



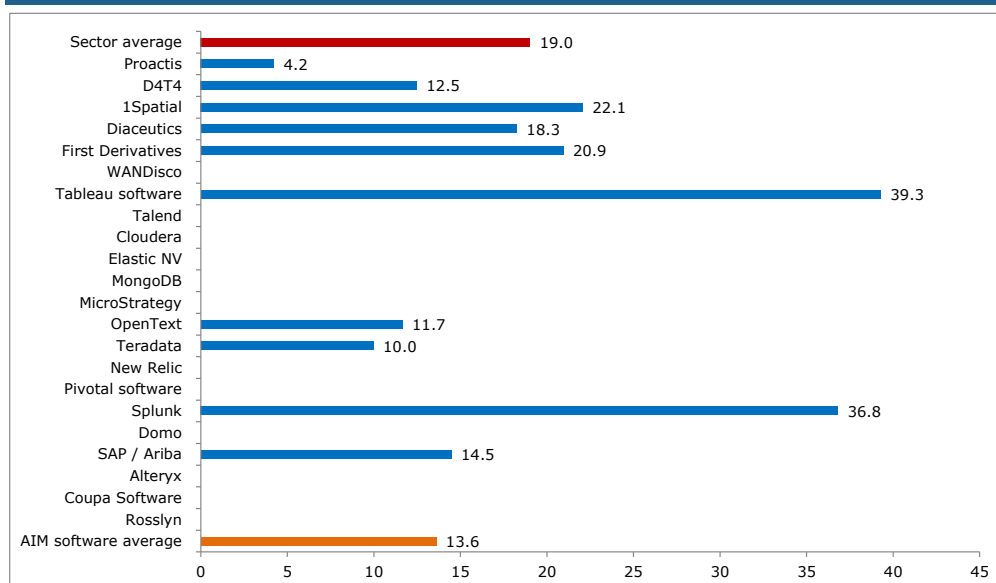
Source: Equity Development, arithmetic average for sector. RDT shown post SBPs

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



Investor Access

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