

Momentum continues to build

Put yourself in the shoes of a hypothetical £1bn revenue FMCG multi-national, manufacturing say 300-400 SKUs at numerous factories located worldwide, using hundreds of different suppliers.

Here, the pressures associated with managing its **uber-complex supply chain** are immense. Having to not only balance real-time 'demand forecasts' against detailed raw material, production and finished goods requirements. But also hit tough cost, working capital & profit targets, alongside delivering just-in-time orders to supermarkets, convenience stores, wholesalers, consumers & alike. Indeed, not dissimilar to trying to solve 'Schrödinger's equation' every day.

Customers can save £millions each year

Consequently, these type of business are usually forced to hold buffer stock in order to smooth out any logistical problems, whilst further suffering product wastage, reflecting inefficiencies, customer returns, obsolescence and damages. So what can be done?

Well, the good news is that **by deploying Rosslyn's big data, analytics and AI software platform (RAPid), large corporates can now generate multi-£ms savings**. Perhaps even shaving 1 week off working capital levels, improving yields by 1% and/or reducing procurement costs by another 5%. Thus paying for the software several times over, and in double-quick fashion too.

£500k of new contracts won

Hardly surprisingly therefore, that RDT is knocking the ball out the park in terms of contract wins. It signed **a raft of blue chip clients in H1'19** - and today announced another 3, worth £500k in total, operating in the International Logistics, Healthcare and Pharma sectors. In turn, pushing **annualised recurring revenues to >£6m** (vs £5.05m vs 31st Oct'18), and putting the firm within touching distance of becoming cashflow positive.

CEO Roger Bullen adding "***I am delighted that Rosslyn has won more high profile clients in an extremely competitive and demanding process. Our focus on the complex supply chain and procurement data analytics market continues to deliver opportunities and these important wins demonstrate the continued demand for our data services in this growing sector.***

Recurring revenues now >£6m (or 80% of FY19 sales)

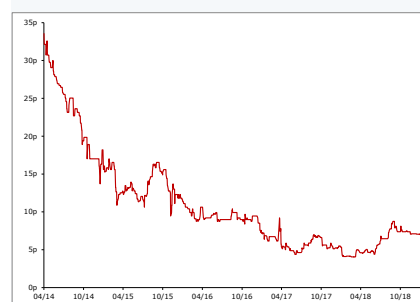
Being selected by these companies validates that our RAPid Analytics Platform is the technology of choice for companies serious about leveraging the value of their data to improve business performance. I believe that these wins underpin the progress we are making in increasing our average annual contract value, which continues to grow, and lifts our ARR to over £6m. The agreements should initially take around 2 months to implement, involving a complete data analytics enrichment, aggregation and dash-boarding service.

11th February 2019

Company Data

	AIM:RDT
EPIC	
Price (prior close)	7.30p
52 week Hi/Lo	9.0p/4.0p
Market cap	£14.1m
ED valuation / share	12.5p
Sharecount	192.7m
Est. net debt (April 2019)	£700k
Avg. daily volume	100k

Share Price, p



Source: Web Financial

Description

Founded in 2005 and listed on AIM in Apr'14 at 33p raising £10m, **Rosslyn Data Tech is a supply-chain & spend analytics, 'Big Data & AI' software developer**, 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 & comply with regulations, but also enhance revenues (eg end-user demand forecasting), optimise supplier performance and improve efficiencies, productivity & cashflows.

80% (or £6m) 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) with headcount at 62. Approx 88% of sales is invoiced from the UK, with the rest derived from the US.

Next news: Trading update May 2019

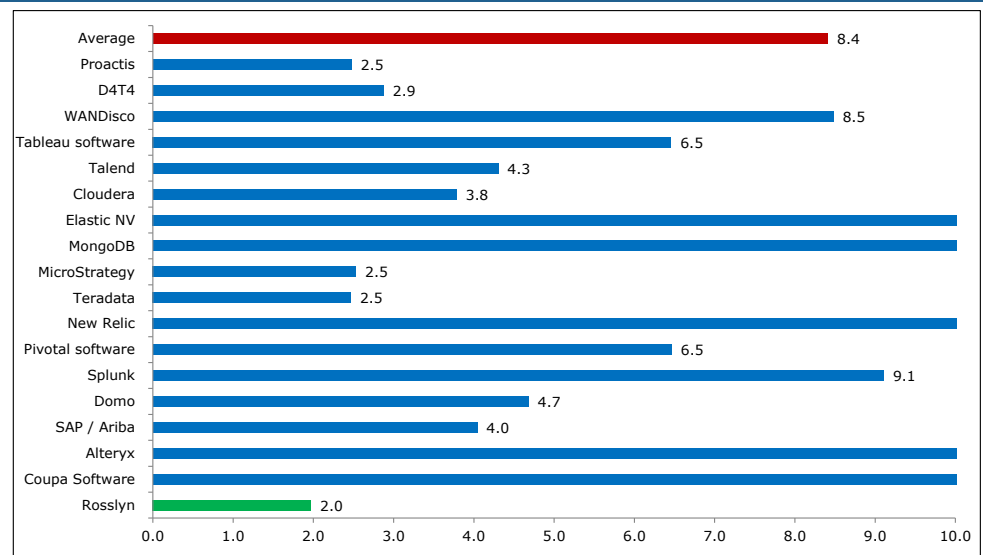
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Forecasts de-risked for FY19 & beyond

Although our FY19 estimates and 12.5p/share valuation remain unchanged, we nevertheless note that the contracts bolster RDT’s P&L cover for this year and next. Namely, FY19 turnover and EBITDA of £7,500k (Act H1 £3,532k vs Est H2 £3,968k) and £242k (Act H1 -£290k vs Est H2 £532k) respectively, generating a +3.2% margin, and rising to £8,250k and £812k (9.8% margin) in FY20.

What’s more, the **stock at 7.3p trades on a frugal 2.0x CY EV/turnover multiple**, representing a substantial discount to Big Data peers at 8.4x (see below). Plus going forward, in an environment of escalating trade wars, Brexit, weather related disasters and other geopolitical wobbles, corporate supply chains will need to be increasingly more agile, flexible and efficient. Or in other words, exactly what RDT’s top notch software delivers.

Current year (CY) EV/sales multiples vs ‘Big Data’ peers



Source: Equity Development

Key risks

- Although Rosslyn’s auditors, Grant Thornton have confirmed the FY18 financial statements are “true and fair”, they have highlighted that there is a “material uncertainty related to the going concern” (Re Note 2). We accept this as a possible risk, albeit believe the business will become cashflow positive in FY20 and so if required, should be able to raise extra capital at commercial rates.
- 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.
- Being relatively small, Rosslyn could get squeezed by larger rivals, partners and customers.
- 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.

Summary projections (£'000s)

Rosslyn Data Technologies (April yearend)	2015 Act £'000s	2016 Act £'000s	2017 Act £'000s	2018 Act £'000s	2019 Est £'000s	2020 Est £'000s	2021 Est £'000s	2022 Est £'000s	2023 Est £'000s	2024 Est £'000s	2025 Est £'000s
			Restated	IFRS 15							
Turnover	2,826	3,869	3,506	6,433	7,500	8,250	9,158	10,256	11,590	13,212	15,194
% growth	36.8%	36.9%	-9.4%	83.5%	16.6%	10.0%	11.0%	12.0%	13.0%	14.0%	15.0%
Gross Profit	2,384	3,388	2,855	4,895	6,150	6,848	7,601	8,513	9,619	10,966	12,611
% margin	84.3%	87.6%	81.4%	76.1%	82.0%	83.0%	83.0%	83.0%	83.0%	83.0%	83.0%
Adj. EBITDA (post SBPs)	-3,424	-2,331	-2,022	-2,010	242	812	1,375	2,080	2,495	3,483	4,731
% Margin	-121.2%	-60.2%	-57.7%	-31.2%	3.2%	9.8%	15.0%	20.3%	21.5%	26.4%	31.1%
Adj. EBIT	-3,507	-2,386	-2,060	-3,074	-800	-334	103	655	1,353	2,237	3,358
% Margin	-124.1%	-61.7%	-58.8%	-47.8%	-10.7%	-4.1%	1.1%	6.4%	11.7%	16.9%	22.1%
Adj. Profit before Tax	-3,478	-2,375	-2,045	-3,175	-866	-391	97	655	1,353	2,237	3,358
Adjusted EPS (p)	-4.3	-2.8	-2.5	-1.5	-0.4	-0.2	0.0	0.3	0.6	1.0	1.3
EPS growth rate								571.1%	94.3%	55.1%	32.1%
Dividend (p)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Adjusted cash conversion										131.4%	120.7%
Valuation benchmarks											
P/E ratio							148.4	22.1	11.4	7.3	5.6
EV/Sales	5.2	3.8	4.2	2.3	2.0	1.8	1.6	1.4	1.3	1.1	1.0
EV/EBITDA						18.2	10.7	7.1	5.9	4.2	3.1
EV / EBITA							143.3	22.5	10.9	6.6	4.4
Adjusted tax rate					0.0%	0.0%	0.0%	0.0%	-5.0%	-10.0%	-20.0%
EBITDA drop through rates						76.0%	62.1%	64.1%	31.1%	60.9%	63.0%
PEG ratio								0.04	0.12	0.13	0.17
Net cash/(debt)	4,713	1,859	285	-757	-700	-394	476	1,975	3,718	6,167	9,261
Sharecount (Ks)	75,422	75,766	75,766	183,820	192,676	194,602	196,548	198,514	200,499	202,504	204,529
Diluted sharecount			79,486	201,177	210,033	211,959	213,905	215,871	217,856	219,861	221,886
Shareprice (p)	7.30										

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.

Note 3: Approx £863k of loans (Oct'18) are due to be repaid within the next 12 months, with the majority by the end of May'19.



Investor Access

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