Rosslyn Data Technologies plc

Interim report and accounts

For the six months ended 31 October 2019

Highlights

- Significant contract wins during the period and since the period end including:
  - a multinational general insurance company, and a manufacturer of rolling stock and infrastructure for the rail network (combined contract value of £0.9 million)
  - a science-led sustainable technologies business (£0.6 million)
  - an international building materials group (€1.0 million)
- Annual Recurring Revenue (“ARR”) carried forward increased by 18.8% to £6.0 million vs H1 2019 (£5.0 million)
- 25.5% increase in contract revenue backlog to £6.4 million today, from £5.1 million at 1st May 2019.
- Acquisition of the trade and assets of Langdon Systems, which specialises in supply chain data relating to import and export duty management and has a blue-chip client base of 60 clients
- Group revenues £3.1 million (H1 2019: £3.5 million) following removal of low margin generating revenues which improved gross profit margin to 81.2% (H1 2019 78.4%)
- Administrative expenses tightly controlled at £2.8 million (H1 2019: £3.0 million) resulting in Operating EBITDA (excluding acquisition costs and share based remuneration) loss of £155,000 (H1 2019: £213,000 loss)
- Cash balance of £499,000 following drawdown of loan of £0.5 million and repayment of pre-existing loan notes and other loans of £722,000 during the period.

Chief Executive's Review

The first half of the year has seen us follow a process of trading out low margin revenues and replacing them with higher yielding annual recurring revenue ("ARR"). Whilst doing this we continued to acquire new customers, expand offerings with existing customers and grow internationally. The Group has in parallel continued to invest in product development, enabling us to innovate and add new products into the portfolio. Whilst this focus on improving the quality of revenue impacted sales in the first half of the year compared to last year, we remain confident that the second half will enable us to stay on target and to meet management expectations.

A key highlight of the first half was the acquisition of the business of Langdon Systems Ltd. Langdon specialises in bulk handling of supply chain data with a strong position in import and export duty management systems, providing import and export data reporting, visualisation and data mining. Although not generating significant returns in the current financial year, Langdon adds over £0.4 million to our ARR and does not significantly increase our cost base. Already within three months of the acquisition, we have been able to increase the Langdon ARR, integrate the solution onto the RAPid platform and we are now able to offer the services to a broader customer base utilising our in-depth knowledge of data extraction, data cleansing and reporting. The impact of Brexit, although uncertain, is likely to create a significant jump in demand for the Langdon data services in the coming months and years as companies become required to report to HMRC for imports and exports with the EU. We are excited by its prospects and are implementing plans to benefit from this potential upside.

We have been able to develop and integrate new technologies and robotic process automation solutions that have been contributed to reducing our cost base. This has provided the additional resources to focus our attention on building out our Sales and Marketing team whilst managing our costs tightly and it is our expectations are that within the next 12 months this will start to show material financial benefits to the Company.

I am pleased to report that since the half year our sales growth has been significant, as can be seen in the recent announcements. We have increased our backlog to £6.4 million as of today, an increase of 25.5% from £5.1 million at the start of the year, and we have grown our year on year ARR by 18.8% to £6.0m. This alongside our cost management initiatives provide us with the confidence to expect EBITDA being positive in the second half of the year.

Our Customer retention rate remains high at greater than 90% and in most clients we are expanding our sales opportunities and revenues.

We believe that the quality of the RDT RAPid platform continues to be highly recognised, giving us the opportunity to take major steps forward on a number of important fronts, including moving out of traditional spend analytics to be more involved with the complete Supply Chain Analytics and Master Data Management.

Underpinning this progress is our talented and skilled team who are fuelling the continued development of innovative solutions and widening the sphere of sales opportunities. This is reflected in our growing list of clients. These include many leading global businesses and the increasing number of partnerships we are establishing. Partnerships that bring us closer to where high volumes of business and commerce meet, giving us the opportunity to play a significant information management role.

Our sales team continues to gain momentum as demonstrated by our increasing pipeline and the wins announced in the last few months. Furthermore, revenue growth from our installed customer base remains healthy as we continue to expand our ARR. This, we believe, is evidence of the success of our "land and expand" strategy as well as of the emerging value of the Rosslyn business model. Our customer churn remains extremely low, at less than 10% per annum.

We remain confident that, supported by strong contracted revenue visibility and new business momentum, we will continue to build on the solid progress and foundations laid.

Business Review

The six months to 31 October 2019 saw revenues drop slightly as we implemented a programme of removing low margin products and services and their replacement with higher margin ARR contracts. At the same time, we have been able to maintain and improve the cost efficiencies that we worked hard to deliver last year. The revenue growth and the cost savings enable us to see a clear path to EBITDA being positive in the second half of the year, and an operating cash break-even position (excluding working capital movements) during the full financial year.

Our ARR growth has been achieved as a result of our ability to assist enterprises to significantly reduce the complexities associated with capturing and managing their data whilst improving their analytics capabilities. At the same time, we have been able to support our clients by reducing the costs of deploying analytics, increasing the speed of deployment whilst being able to demonstrate a positive return on investments.

As enterprises modernise, we are benefiting from the migration from traditional on-premise applications to cloud based services. The technology value gap between a traditional on-premise solution and a cloud-based approach is increasing as we continue to develop faster, better and more intuitive solutions. We are now being frequently asked to deliver our solutions into a “private” cloud environment, owned and maintained by our clients. We believe this will assist us in improving our sales cycle metrics, accelerate our expansion plans and maintain a low churn rate.

We are increasing our investments in the sales and marketing teams, particularly focusing on large enterprises in key industry segments. We have deployed dedicated managers whose focus is on establishing deep and trusted relationships with strategic accounts. Supporting each of these areas is a customer success team who support not just the implementation but also the expansion of the footprint of the platform in each account.

The Group's sales pipeline continues to grow and I am pleased to report that we are in negotiations with a number of large enterprises and look forward to updating shareholders in due course. On the partner front, our focus is on making our existing partners ever more effective in selling the benefits of the platform through which we extend and scale our sales capability.

We are continuing to build on our world-class and well-regarded development team. Their depth of expertise and agile approach enables us to respond quickly to customer needs and market opportunities and give us an advantage over the traditional on-premise approach.

The Group's strategy remains to build a strong and dynamic company focused on growth and building shareholder value.

Prospects

The second half of the year has begun well. There have been a number of new contract wins as well as expansion of our current customer portfolio. The firm has been short listed as the preferred vendor in the US, UK and Europe for potential new contracts which cover a number of new exciting verticals and applications for RDT and we look forward to updating shareholders in due course.

The research and development team are executing on an exciting schedule of improvements and new technologies, which we expect to be released into full production late in the second half of this financial year. Of note, we expect to deliver: simple self-service tools that will enable clients to improve data management capabilities; compliance reporting and predictive analytical capabilities; supplier information management capabilities and full contract to cash management capabilities. We expect these tools to improve our customers' risk analytics and compliance reporting capabilities along with information and insights to support their fundamental business needs and their strategic decision making.

Our pipeline is healthy and, through the impact of our new solutions and services, we are negotiating contracts with significantly larger values than we have done in the past. Given their size, these contracts are taking longer to negotiate but we have been able to automate many internal processes, reducing the lead-time for delivery and shortening the time to value extraction for our clients. Management are working to deliver these contract wins during the current financial year and, if achieved, would significantly increase EBITDA for this year. Even without these contracts at this time we have every confidence in meeting our expectations.

The directors are pleased with the progress made to date and believe that the Company is increasingly well positioned to take advantage of opportunities. The RDT RAPid platform is emerging as a recognised and well-regarded technology in this large and growing market place, and through our continued and disciplined execution, we expect progress to continue. As a result, we believe the Company is in an exciting position for the rest of this year and beyond.

Roger Bullen
Chief Executive
14 January 2020

Finance Director's report

Group revenues reduced by 11.7% to £3.12 million (H1 2019: £3.53 million) but this was driven primarily by lower low-margin professional service revenues, with licence revenue only down slightly to £2.57 million (H1 2019: £2.73 million). The Group usually has a stronger second half than first half due to the timing of our clients' year end typically being December, and also due to our first half including the quieter summer months. We expect this to continue to be the case in the current year.

Gross profit margin improved to 81.2% (H1 2019 78.4%) as we cancelled certain contracts generating little margin and made more efficient use of third-party cloud resources.

Administrative expenses have been managed tightly in the period, in anticipation of the lower revenues, at £2.80 million (H1 2019: £2.98 million), but these will now increase due to the addition of seven headcount employed following the Langdon acquisition and also because we have chosen to invest further into sales and marketing. The average headcount in the period was stable at 62 (H1 2019: 62).

The Operating EBITDA loss was £155,000 (H1 2019: £213,000 loss) with a loss after tax of £826,000 (H1 2019: £660,000 loss).

The basic and diluted loss per share for the period was 0.43p (H1 2019: 0.36p).

Cash at the end of the six-month period was £0.5m (H1 2019: £0.4m). During the period we drew down the remaining £0.5 million of the £1.5 million term loan facility with Clydesdale Bank and also repaid pre-existing loan notes and other loans of £722,000.

Cash flows from operating activities (excluding working capital movements) were £155,000 (H1 2019: £212,000), but cash used from operations in the period was £1.1 million (H1 2019: £0.2 million) due to a reversal of a favourable working capital position at the last year end. Consistent with the Group's working capital cycle, we expect to be cash generating in the second half of the year.

The annual recurring revenue at the period end increased by 18.8% to £6.00 million (H1 2019: £5.05 million) and by 11.1% since the last balance sheet date (30 April 2019: £5.4 million).

The contract revenue backlog increased 25.5% to £6.4 million as of today (30 April 2019: £5.1 million).

IFRS 16

IFRS 16 addresses the accounting for leases and requires lessees to recognise all leases on balance sheet with limited exemptions. This results in the recognition of a right-of-use asset and corresponding liability on the balance sheet, with the associated depreciation and interest expense being recorded in the income statement over the lease period. Limited exemptions apply for short-term leases (leases with a term of 12 months or less) and low value leases but these have not been utilised in the period.

The Group has adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (£nil) is recognised in retained earnings at 1 May 2019. Accordingly, the comparative information has not been restated and continues to be reported under IAS 17 'Leases' and IFRIC 4 'Determining Whether an Arrangement contains a Lease'.

On transition to IFRS 16 the Group recognised an additional £321,000 of right-of-use assets and £321,000 of lease liabilities. As at 31 October 2019 the right-of-use asset recognised is £209,000 with a corresponding lease liability of £209,000, having released £112,000 in the current period. Without this release the Operating EBITDA loss would have been £267,000 (H1 2019: £213,000 loss).

Ash Mehta
Finance Director
14 January 2020

Consolidated statement of comprehensive income

For the six months ended 31 October 2019

	Notes	**Six months ended 31 October 2019 Unaudited £'000**	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Revenue		**3,117**	3,532	6,965
Cost of sales		**(586)**	(764)	(1,416)
Gross profit		**2,531**	2,768	5,549
Administrative expenses		**(2,686)**	(2,981)	(5,993)
Depreciation of IFRS16 property asset		**(112)**	-	-
Depreciation and amortisation		**(606)**	(517)	(1,041)
Share based payment		**(59)**	(77)	(125)
Operating loss		**(932)**	(807)	(1,610)
Finance income		**-**	1	1
Finance costs		**(80)**	(35)	(87)
Loss before income tax		**(1,012)**	(841)	(1,696)
Income tax credit		**186**	181	595
Loss for the period attributable to the equity holders of the parent		**(826)**	(660)	(1,101)
Other comprehensive loss		**(4)**	(19)	(27)
Total comprehensive income		**(830)**	(679)	(1,128)

Loss per share				
Basic and diluted loss per share: ordinary shareholders (pence)	3	**(0.43)**	(0.36)	(0.59)

Consolidated balance sheet

As at 31 October 2019

	31 October 2019 Unaudited £'000	31 October 2018 Unaudited £'000	30 April 2019 Audited £'000
ASSETS			
Non-current assets			
Intangible assets	**3,031**	3,463	2,946
Property, plant and equipment	**10**	14	14
	3,041	3,477	2,960
Current assets			
Trade and other receivables	**1,917**	1,594	1,697
Corporation tax receivable	**521**	345	363
Cash and cash equivalents	**499**	412	1,960
	2,937	2,351	4,020
Total assets	**5,978**	5,828	6,980
LIABILITIES			
Current liabilities			
Trade and other payables	**(4,052)**	(3,222)	(4,018)
Financial liabilities – borrowings	**(587)**	(771)	(934)
	(4,639)	(3,993)	(4,952)
Non-current liabilities			
Trade and other payables	**-**	-	(126)
Deferred income	**-**	(59)	-
Deferred tax	**(182)**	(254)	(218)
Financial liabilities – borrowings	**(887)**	(92)	(653)
	(1,069)	(405)	(997)
Total liabilities	**(5,708)**	(4,398)	(5,949)
Net assets	**270**	1,430	1,031
Equity			
Called up share capital	**965**	963	963
Share premium	**12,777**	12,777	12,777
Share-based payment reserve	**574**	466	515
Accumulated loss	**(19,071)**	(17,800)	(18,241)
Translation reserve	**(108)**	(109)	(116)
Merger reserve	**5,133**	5,133	5,133
Total equity	**270**	1,430	1,031

Consolidated cash flow statement

For the six months ended 31 October 2019

	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Cash flows from operating activities			
Loss before income tax	**(1,012)**	(841)	(1,696)
Adjustments for:			
– depreciation, amortisation	**718**	517	1,041
– share-based payments	**59**	77	125
– finance income	**-**	-	(1)
– finance costs	**80**	35	87
	(155)	(212)	(444)
(Increase)/decrease in receivables	**(201)**	556	453
(Decrease)/increase in payables	**(755)**	(582)	211
Cash generated/(used) from operations	**(1,111)**	(238)	220
Finance income	**-**	-	1
Finance costs	**(80)**	(35)	(87)
Corporation tax received	**-**	357	716
Other comprehensive income/(expense)	**-**	(20)	-
Net cash from operating activities	**(1,191)**	64	850
Cash flows from investing activities			
Purchase of property, plant and equipment	**(1)**	(3)	(10)
Acquisition of business	**(49)**	-	-
Net cash used in investing activities	**(50)**	(3)	(10)
Cash flows from financing activities			
Proceeds from share capital issued (net)	**2**	244	244
Proceeds from bank and other borrowings	**500**	-	1,000
Repayment of bank and other borrowings	**(722)**	(210)	(441)
Net cash from/(used in) financing activities	**(220)**	34	803
Net (decrease)/increase in cash and cash equivalents	**(1,461)**	95	1,643
Cash and cash equivalents at beginning of period	**1,960**	317	317
Cash and cash equivalents at end of period	**499**	412	1,960

Consolidated statement of changes in equity
for the year ended 30 April 2019

	Note	Called up share capital £'000	Accumulated loss £'000	Translation reserve £'000	Share-based payment reserve £'000	Share premium £'000	Merger reserve £'000	Total equity £'000
Balance at 1 May 2017		379	(13,952)	(67)	218	8,517	5,133	228
Issue of share capital		562	-	-	-	4,038	-	4,600
Share-based payment transaction		-	-	-	195	-	-	195
Release		-	23	-	(23)	-	-	-
Loss for the year		-	(3,211)	-	-	-	-	(3,211)
Other comprehensive income		-	-	(23)	-	-	-	(23)
Balance at 30 April 2018		941	(17,140)	(90)	390	12,555	5,133	1,789
Balance at 1 May 2018		941	(17,140)	(90)	390	12,555	5,133	1,789
Issue of share capital		22	-	-	-	222	-	244
Share-based payment transaction		-	-	-	125	-	-	125
Loss for the year		-	(1,101)	-	-	-	-	(1,101)
Other comprehensive income		-	-	(26)	-	-	-	(26)
Balance at 30 April 2019		**963**	**(18,241)**	**(116)**	**515**	**12,777**	**5,133**	**1,031**
Balance at 1 May 2019		963	(18,241)	(116)	515	12,777	5,133	1,031
Issue of share capital		2	-	-	-	-	-	2
Share-based payment transaction		-	-	-	59	-	-	60
Loss for the year		-	(830)	-	-	-	-	(830)
Other comprehensive income		-	-	**8**	-	-	-	7
Balance at 30 April 2019		**965**	**(19,071)**	**(108)**	**574**	**12,777**	**5,133**	**270**

Notes to the unaudited interim statements

For the six months ended 31 October 2019

1. Basis of preparation

This interim report has been prepared in accordance with the accounting policies disclosed in the full statutory accounts for the year ended 30 April 2019.

These policies are in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively "IFRS") issued by the International Accounting Standards Board, as endorsed for use in the European Union, that are expected to be applicable for the year ending 30 April 2020.

During the period the Group adopted IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application (£nil) is recognised in retained earnings at 1 May 2019.

The Group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing the interim consolidated financial information.

The financial information in this statement relating to the six months ended 31 October 2019 and the six months ended 31 October 2018 has not been audited.

The financial information for the year ended 30 April 2019 does not constitute the full statutory accounts for that period. The annual report and financial statements for the year ended 30 April 2019 has been filed with the Registrar of Companies.

The Independent Auditor's Report on the annual report and financial statement for 2018/19 was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or 498(3) of the Companies Act 2006.

The interim report for the period ended 31 October 2019 was approved by the Board of Directors on [14] January 2020.

2. Operating EBITDA

Operating EBITDA is calculated from Operating loss as shown below.

	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Operating loss	(932)	(807)	(1,610)
Depreciation and amortisation	718	517	1,041
Share-based payments	59	77	125
Operating EBITDA	**(155)**	**(213)**	**(444)**

3. Earnings per share

Basic earnings per share is calculated by diving the net loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing net profit for the period attributable to ordinary shareholders outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion of all dilutive potential ordinary shares into ordinary shares.

	Six months ended 31 October 2019 Unaudited	Six months ended 31 October 2018 Unaudited	Year ended 30 April 2019 Audited
Loss for the period attributable to the owners of the parent	£830,000	£679,000	£1,128,000
Weighted average number of ordinary shares	192,847,695	190,625,126	192,675,521
	Pence	Pence	Pence
Basic and diluted loss per share: ordinary shareholders	(0.43)	(0.36)	(0.59)

4. Segmental reporting

Management has determined the operating segments based on the operating reports reviewed by the Executive Directors that are used to assess both performance and strategic decisions. Management has identified that the Executive Directors are the Chief Operating Decision-Maker in accordance with the requirements of IFRS 8 Operating segments.

The determination is that the Group operates as a single segment, as no internal reporting is produced either by geography or division. The Group does view performance on the basis of the type of revenue, and the end destination of the client as shown below.

	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
Annual licence fees	2,573	2,732	5,437
Professional services	460	800	1,528
Continuing operations	3,033	3,532	6,965
Annual licence fees	55	-	-
Professional services	29	-	-
Acquisitions	84	-	-
Total revenue	**3,117**	**3,532**	**6,965**

	Six months ended 31 October 2019 Unaudited £'000	Six months ended 31 October 2018 Unaudited £'000	Year ended 30 April 2019 Audited £'000
UK and Europe	2,421	2,630	5,248
North America and Rest of the World	696	902	1,717
Total revenue	**3,117**	**3,532**	6,965

5. Acquisitions

On 23 September 2019 Rosslyn Data Technologies acquired the trade and software assets of Langdon Systems Limited ("Langdon") from its administrators. The Langdon business specialises in bulk handling of supply chain data with a strong position in Import and Export duty management systems, providing import and export data reporting, visualisation and data mining for both on-premise and cloud-based solutions. The business has a blue-chip client base of 60 clients similar to that of Rosslyn but with little or no overlap. The acquisition will provide continuity and security for many leading UK companies that rely on Langdon's service.

Moreover, the Directors believe the acquisition will enhance Rosslyn Data Technologies' product and customer base, increase its recurring revenue streams and provide cross-selling opportunities.

Rosslyn acquired the assets, primarily comprised of software IP, client list and associated contracts, for a consideration of £49,000, funded by the Group's existing cash resources.

Details of the fair value of identifiable assets and liabilities acquired, and the purchase consideration are as follows:

	£'000
Amount settled in cash to the sellers	49
Fair value of consideration transferred	49

Fair value of assets acquired	£'000	£'000
Contract and customer related intangible assets (recognised on acquisition)	428	
Intellectual property of internally generated software (recognised on acquisition)	49	
Deferred income	(428)	
Net identifiable assets and liabilities		49

6. Dividends
No interim dividend (2018: nil) will be paid to shareholders.

7. Principal risks and uncertainties

The principal risks and uncertainties for this six-month period remain broadly consistent with those set out in the Financial Review section of the financial statements of the Group for the year ended 30 April 2019.

8. Interim report
Copies of the interim report are available to the public from the offices of Rosslyn Data Technologies plc at 60 St Martin's Lane, London WC2N 4JS. The interim report and the interim announcement will also be available from the Group's website at www.rosslyndatatech.com .

Directors and advisors

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James Appleby
Non-executive Chairman

Roger Bullen
Chief Executive

Ash Mehta
Finance Director

Hugh Cox
Chief Data Officer

Barney Quinn
Non-executive Director (independent)

Ginny Warr
Non-executive Director (independent)

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