Rosslyn Data Technologies plc

Interim report and accounts

For the six months ended 31 October 2020

Highlights

- Significant investment into growing our sales and marketing teams, including the appointment of a Chief Customer Officer and a doubling of headcount.
- This investment is already delivering returns and our pipeline has grown to its largest ever size.
- Investment into product development, including User Interface and User Experience (UI/UX) improvements to the Rosslyn platform, such as self-service tools and smart dashboard creation and further developments in progress covering Artificial Intelligence and Robotic Process Automation
- Group revenues of £3.6 million (H1 2020: £3.1 million) and gross profit margin of 82.2% (H1 2020 81.2%)
- Administrative expenses increased to £3.14 million (H1 2020: £2.69 million) as a result of investment into sales and marketing
- Operating EBITDA loss was £144,000 (H1 2020: £155,000 loss)
- Annual Recurring Revenue (“ARR”) of £6.2 million (H1 FY2020: £6.0 million)
- Successfully raised £6.8 million net of expenses in May; cash balance of £7.23 million as at 31 October 2020.
- Post period end launch of CustomsCloud™, a cloud-based self-service solution designed to enable importers to manage the additional customs procedures resulting from the UK's departure from the European Union.

Chief Executive’s Review

As in most organisations during the first half of this financial year, coronavirus has brought about new challenges that we have needed to face head on. I am delighted to say that our ability to embrace a full digital environment has enabled us to support our clients effectively over this difficult time, especially those clients operating in the retail, travel and entertainment sectors who we have assisted, not only with our COVID dashboard, but also with specific analysis, whilst always maintaining client service levels. In addition, we have implemented projects for our clients in the airline and rail sectors to identify savings in particular product categories, as well as by reducing “tail spend” ie reducing the number of small value suppliers. We have also made good progress on the initiatives we outlined at the time of our fundraising in May.

Business Review

Investment into Sales and Marketing

Following the fundraising, we started to invest significantly in our sales and marketing teams. Due to increases in RFP and RFI activity in August and September and following the appointment of Paul Watts as Chief Customer Officer in August, we decided to accelerate our investment program to be able to maximise the potential of an increasing number of opportunities, thereby doubling the Sales and Marketing headcount over the last six months, ahead of schedule.

This investment will result in higher operating costs for the full year than initially anticipated but it has allowed us to gather momentum and we have already seen a significant uplift in both sales leads and marketing opportunities over the last few months. This investment is paying off in the growth of our customer opportunity pipeline as described below.

We are focussing our sales and marketing effort on large enterprises in key industry segments which we sell predominantly through our direct channel. Supporting each of these segments is a customer success team, which supports not just the implementation but also the expansion of the footprint of the platform in each account, as well as ensuring client utilisation to extract benefits from the product, thereby assisting customer satisfaction and future renewal.

Pipeline

Although the impact of the pandemic has resulted in a slowdown of the roll-out of digital transformation platforms by procurement departments, these programs have not been cancelled. The benefits and the need to implement such platforms has been made very clear by recent circumstances, which have highlighted supply chain risk and resilience in large companies.

The investment into Sales and Marketing means that our pipeline is stronger than ever before, having grown by 18% during the period, and I am pleased to report that we are in advanced negotiations with a number of large enterprises and look forward to updating shareholders in due course. However, the uncertainty of coronavirus hangs over all decisions to be made by potential clients.

On the partner front, our focus is on making our existing partners more effective in selling the benefits of the platform. Our partners extend and scale our sales capability and we are in the process of expanding our partner base geographically, predominantly through mainland Europe.

Customer acquisition and existing clients

During the period, we managed to continue to acquire new customers, and expand relationships with existing customers. Furthermore, despite the slowdown due to the impact of the pandemic our revenues from our installed customer base have held up well and customer churn remained low, at 4.5% for the period.

We believe that our appeal to customers is due to our ability to;

- significantly reduce the complexities associated with capturing and managing their data;
- improve their analytical capabilities, and reduce the costs of deploying analytics;
- increase the speed of deployment;
- demonstrate a positive return on our clients' investments; and
- offer the clients a broad menu of products that allows them to choose to take more modules over time as they see the benefits of the full suite.

These features clearly illustrate the emerging value of the Rosslyn business model which is now central to our strategy of implementing digital transformation across the procurement functions of large companies.

Launch of CustomsCloud™

We released our Langdon CustomsCloud™ software in December 2020. The cloud-based self-service solution is designed to enable importers to manage the additional customs procedures resulting from the UK's departure from the European Union, allowing Langdon clients to register with HMRC and to file all import declarations, either individually or in bulk, calculate the VAT and duty owed on any imports and to report this information direct to HMRC for future payments. CustomsCloud™ automates the process, saving time for clients and also provides certainty by reducing the risk of unknown future charges being payable on the client's imports.

Even with a trade agreement having been signed between the UK and the EU, it is expected that over 200,000 UK businesses that import from the EU will need to start completing customs declarations for the first time. Many businesses are applying for government grants, which provide funding for investment into IT projects for customs declarations, such as CustomsCloud™. We believe that the advantages of our product mean that we are well placed to benefit from increased IT spend in this area. Sales of CustomsCloud™ have started well in 2021, with many new client signings and a healthy pipeline of client prospects for the coming months.

Product evolution

We are benefiting from the fact that large companies are increasingly choosing to move from traditional on-premise applications to cloud based services. This is because the technology value gap between a traditional on-premise solution and a cloud-based approach is growing as companies develop faster, better and more intuitive solutions.

Our integrated cloud platform taps into this trend allowing a single sign-on and easy navigation to the whole functionality across the various modules. We believe this will assist us in improving our sales cycle metrics, accelerate our expansion plans and maintain a low customer churn rate.

Product Development

The research and development team are executing on an exciting schedule of improvements to our User Interfaces and User Experience (UI/UX) and introducing new technologies, which we expect to be released into full production later this year. These include simple self-service tools that will enable clients to improve data management capabilities such as creating their own bespoke dashboards. An early example of this was the data entry tool for customs data incorporated into CustomsCloud™, allowing users to enter data manually and for that data to be submitted to HMRC through our product.

Future product development will include enhancements of extra functionality, such as predictive analytical capabilities within the full Rosslyn supplier management platform. We expect these tools to improve our customers' risk and resilience analytics and compliance reporting capabilities as well as information and insights to support their strategic decision making.

We have also been able to develop and integrate further AI technologies and robotic process automation, to enhance the UI/UX described earlier. This work that will continue beyond this current year but has already been deployed into our recent software releases.

These investments have a short-term impact on our cost base, but we expect that they will start to show material benefits to the Company within the next twelve months.

We believe that the strength of the Rosslyn platform and the new functionality we have introduced continues to be highly recognised in the industry, which is 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 focussed on procurement challenges such as supply chain resilience, supply chain risk, and data management. This broadens out our offering, making us more relevant to organisations, increases contract values and makes us more embedded into a client's supply chain infrastructure.

Underpinning this progress is our talented and skilled development team who are fuelling the innovative solutions and widening the sphere of sales opportunities. 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.

Financial performance

The Group is reporting revenues of £3.57 million which are 14.6% up on this time last year and a small EBITDA loss of £144,000 due to the investment into Sales and Marketing and Product Development in the period. Our churn is low and has largely been mitigated by contract wins resulting in an ARR that is down slightly from the start of the year to £6.2m, but still higher than this time last year (£6.0m). Further details are given in the CFO Report below.

Prospects

The second half of our financial year has begun well. There have been a number of new customer wins as well as good levels of upsell of additional functionality into our current customer portfolio. We have been short listed as the preferred vendor in the US and Europe for potential new contracts which cover new exciting industry sectors and applications for Rosslyn and we look forward to updating shareholders in due course. These contracts typically incorporate the full, combined Rosslyn product suite.

Our pipeline is healthy and, thanks to 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, and the ongoing coronavirus situation, these contracts are taking longer to negotiate and obtain approval within clients. We remain confident of a successful outcome for the year although, like many companies in the current environment, the ongoing presence of coronavirus means that the timing of the conclusion of contract negotiations and the virus' impact on the year cannot be certain at this time.

The directors are pleased with the progress made to date in these extremely testing times and believe that the Rosslyn 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. The Company is increasingly well positioned to take advantage of opportunities, and we continue to seek acquisitions which would accelerate growth and help provide a broader offering and client base.

The Group's strategy remains to build a strong and dynamic company focused on growth and building shareholder value. We remain confident that, supported by strong contracted revenue visibility and renewed business momentum, we will continue to build on the solid progress and foundations laid during the first half of the year.

Roger Bullen
Chief Executive
12 January 2021

Finance Director's report

Despite the difficult circumstances of coronavirus during the period, Group revenues increased by 14.6% to £3.57 million (H1 2020: £3.12million). This was driven partly by the acquisition of Langdon which was acquired in September 2019 and therefore only contributed one month of revenues in last year's interim results. Underlying revenues held up well with little churn during the period. However, as described in the CEO Report the slowness of clients to commit to new investments meant that opportunities to grow revenues more rapidly were limited.

Gross profit margin improved to 82.2% (H1 2020: 81.2%) as we continued to make more efficient use of third-party cloud resources.

Administrative expenses increased to £3.14 million (H1 2020: £2.69 million) as we accelerated investment into sales and marketing. As a result, the Operating EBITDA loss was £144,000 (H1 2020: £155,000 loss). The average headcount in the period increased to 64 (H1 2020: 62), but the headcount as 31 October 2020 was 67 with most additions in sales and marketing and with the full benefit of these new hires still to be received.

The basic and diluted loss per share for the period was 0.21p (H1 2020: 0.43p).

The cash balance at the period end was £7.23 million following May's fundraising of £6.8 million net of expenses. Net cash used in operating activities during the period was £272,000 (H1 FY20: £1,191,000). The bank debt continues to be paid down and the balance stood at £1.05 million at 31 October 2020.

Due to the slowdown in closing of sales opportunities as described in the CEO Report, and a small degree of churn (4.5%) the annual recurring revenue at the period end was down slightly to £6.2 million since the year end (30 April 2020: £6.3 million), but nevertheless up from this time last year (H1 FY2020: £6.0 million). The contract revenue backlog reduced from £6.3 million at the start of the period to £5.9m at 31 October 2020 but remains well above the level this time last year (30 October 2019: £5.1 million).

Ash Mehta
Finance Director
12 January 2021

Consolidated statement of comprehensive income

For the six months ended 31 October 2020

	Notes	**Six months ended 31 October 2020 Unaudited £'000**	Six months ended 31 October 2019 Unaudited £'000	Year ended 30 April 2020 Audited £'000
Revenue	3	**3,573**	3,117	7,109
Cost of sales		**(636)**	(586)	(1,086)
Gross profit		**2,937**	2,531	6,023
Other operating income	4	**54**	-	-
Administrative expenses		**(3,137)**	(2,686)	(5,987)
Depreciation and amortisation		**(567)**	(606)	(1,703)
Share based payment		**(120)**	(59)	(69)
Operating loss		**(833)**	(932)	(1,736)
Finance income		**17**	-	-
Finance costs		**(67)**	(80)	(69)
Loss before income tax		**(883)**	(1,012)	(1,896)
Income tax credit		**171**	186	316
Loss for the period		**(712)**	(826)	(1,580)
Other comprehensive loss		**-**	(4)	(4)
Total comprehensive income		**(712)**	(830)	(1,584)

Loss per share				
Basic and diluted loss per share: ordinary shareholders (pence)	5	**(0.21)**	(0.43)	(0.82)

Consolidated balance sheet

As at 31 October 2020

	31 October 2020 Unaudited £'000	31 October 2019 Unaudited £'000	30 April 2020 Audited £'000
ASSETS			
Non-current assets			
Intangible assets	**1,491**	2,822	2,029
Property, plant and equipment	**17**	10	13
Right-of-use assets	**99**	209	52
	1,607	3,041	2,094
Current assets			
Trade and other receivables	**2,548**	1,917	2,039
Corporation tax receivable	**332**	521	196
Cash and cash equivalents	**7,227**	499	794
	10,107	2,937	3,029
Total assets	**11,714**	5,978	5,123
LIABILITIES			
Current liabilities			
Trade and other payables	**(4,331)**	(4,052)	(4,109)
Financial liabilities – borrowings	**(388)**	(587)	(388)
	(4,719)	(4,639)	(4,497)
Non-current liabilities			
Trade and other payables	**(414)**	-	(135)
Deferred tax	**(109)**	(182)	(145)
Financial liabilities – borrowings	**(666)**	(887)	(828)
	(1,189)	(1,069)	(1,108)
Total liabilities	**(5,908)**	(5,708)	(5,605)
Net assets	**5,806**	270	(482)
Equity			
Called up share capital	**1,699**	965	965
Share premium	**18,923**	12,777	12,777
Share-based payment reserve	**590**	470	470
Accumulated loss	**(20,419)**	(19,071)	(19,707)
Translation reserve	**(120)**	(108)	(120)
Merger reserve	**5,133**	5,133	5,133
Total equity	**5,806**	270	(482)

Consolidated cash flow statement

For the six months ended 31 October 2020

	Six months ended 31 October 2020 Unaudited £'000	Six months ended 31 October 2019 Unaudited £'000	Year ended 30 April 2020 Audited £'000
Cash flows from operating activities			
Loss before income tax	**(883)**	(1,012)	(1,896)
Adjustments for:			
– depreciation, amortisation	**569**	718	1,703
– share-based payments	**120**	59	69
– finance income	**(17)**	-	-
– finance costs	**67**	80	160
	(144)	(155)	36
Increase in receivables	**(509)**	(201)	(342)
Increase/(decrease) in payables	**431**	(755)	(550)
Cash used from operations	**(222)**	(1,111)	(856)
Finance income	**17**	-	-
Finance costs	**(67)**	(80)	(160)
Corporation tax received	**-**	-	310
Net cash used in operating activities	**(272)**	(1,191)	(706)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(13)**	(1)	(8)
Acquisition of business	**-**	(49)	(49)
Net cash used in investing activities	**(13)**	(50)	(57)
Cash flows from financing activities			
Proceeds from share capital issued (net)	**7,352**	2	2
Costs of share issue	**(472)**	-	-
Proceeds from bank and other borrowings	**-**	500	500
Repayment of bank and other borrowings	**(162)**	(722)	(905)
Net cash from/(used in) financing activities	**6,718**	(220)	(403)
Net increase/(decrease) in cash and cash equivalents	**6,433**	(1,461)	(1,166)
Cash and cash equivalents at beginning of period	**794**	1,960	1,960
Cash and cash equivalents at end of period	**7,227**	499	794

Notes to the unaudited interim statements

For the six months ended 31 October 2020

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 2020.

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 2021.

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 2020 and the six months ended 31 October 2019 has not been audited.

The financial information for the year ended 30 April 2020 does not constitute the full statutory accounts for that period. The annual report and financial statements for the year ended 30 April 2020 has been filed with the Registrar of Companies.

The Independent Auditor’s Report on the annual report and financial statement for the year ended 30 April 2020 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 2020 was approved by the Board of Directors on 11 January 2020.

2. 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 2020 Unaudited £’000	Six months ended 31 October 2019 Unaudited £’000	Year ended 30 April 2020 Audited £’000
Annual licence fees	**2,947**	2,628	5,625
Professional services	**626**	489	1,484
Total revenue	**3,573**	3,117	7,109

	Six months ended 31 October 2020 Unaudited £’000	Six months ended 31 October 2019 Unaudited £’000	Year ended 30 April 2020 Audited £’000
UK and Europe	**2,897**	2,421	5,638
North America and Rest of the World	**676**	696	1,471
Total revenue	**3,573**	3,117	7,109

3. Operating EBITDA

Operating EBITDA is calculated from Operating loss as shown below.

	Six months ended 31 October 2020 Unaudited £'000	Six months ended 31 October 2019 Unaudited £'000	Year ended 30 April 2020 Audited £'000
Operating loss	**(833)**	(932)	(1,736)
Depreciation and amortisation	**569**	718	1,703
Share-based payments	**120**	59	69
Operating EBITDA	**(144)**	(155)	36

4. Other operating income

Other operating income is amounts received in the form of furlough payments and similar non-repayable grants from government bodies as a result of the coronavirus pandemic.

5. Earnings per share

Basic earnings per share is calculated by dividing 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 loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on the conversion into ordinary shares of all potentially dilutive instruments. In the periods ended 31 October 2020, 31 October 2019 and 30 April 2020 there were share options in issue which could potentially have a dilutive impact, but as the Group was loss making they were anti-dilutive for each period and therefore the weighted average number of ordinary shares for the purpose of the basic and dilutive loss per share were the same.

	Six months ended 31 October 2020 Unaudited	Six months ended 31 October 2019 Unaudited	Year ended 30 April 2020 Audited
Loss for the period attributable to the owners of the parent	**£712,000**	£830,000	£1,580,000
Weighted average number of ordinary shares	**339,066,662**	192,847,695	192,884,046
	Pence	Pence	Pence
Basic and diluted loss per share: ordinary shareholders	**(0.21)**	(0.43)	(0.82)

6. Dividends

No interim dividend (2019: 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 2020.

8. Interim report

Copies of the interim report are available to the public on the Group's website at www.rosslyndatatech.com, and from the registered offices of Rosslyn Data Technologies plc at 1000 Lakeside North Harbour, Western Road, Portsmouth, Hampshire, England, PO6 3EN or by email to investors@rosslyndatatech.com .

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Ash Mehta
Chief Finance Officer

Hugh Cox
Chief Information Officer

Paul Watts
Chief Customer Officer

Barney Quinn
Non-executive Director (independent)

Ginny Warr
Non-executive Director (independent)

Company Secretary
Zedra CoSec (UK) Limited

Registered in
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Share listing
The Company's shares are listed on AIM.

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