

Rosslyn Data Technologies PLC

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Rosslyn Data Technologies: Covid-resistant investment primed for take-off

A company's share price is supposed to be a forward indicator of what is likely to occur in the coming months and years, not the proxy for historic performance - as it has become for Rosslyn Data Technologies PLC (LON:RDT).

The stock has been range-bound for the past six months despite making significant progress in that time establishing the building blocks for what could be a transformational three years.

Holding it back is a legacy of "never quite achieving market expectations", says chief financial officer Ash Mehta, who is part of the Rosslyn 'new guard' charged with changing perception and making sure the firm achieves its true potential.

A market valuation of a smidge over 1.5-times revenues is pedestrian for a data analytics business with a high recurring revenue base that has already crossed the Rubicon to break-even.

Realistic yardstick

Growth companies of Rosslyn's ilk in America's Silicon Valley have completed financings on revenue multiples of 10-times and up.

Probably a more realistic yardstick is private equity, where deals that tend to be done at three to five times revenues.

Building credibility should help enhance the anomalously low stock market rating. Add this a desire to triple turnover to around £20m in the next 36 months and the maths becomes simple.

If Mehta and chief executive Roger Bullen can deliver, they could have a £60m-£100m tech firm on their hands.

There might even be a takeover premium if the business starts interesting other, bigger industry players.

Remember, Rosslyn's market cap is currently £18m (including £7m of cash), so the value uplift for those currently invested will be significant.

Spend analytics

The company's main area of expertise is 'spend analytics'. However, its suite of solutions has grown to encompass areas such as supplier onboarding and software that manages contracts, risk, information and performance.

Most recently Rosslyn has moved into the area of master data management, a critical challenge for large multinational companies with numerous subsidiaries.

Price: 5.19

Market Cap: £17.59 m

1 Year Share Price Graph



Share Information

Code: RDT

Listing: AIM

52 week High Low
7.9 2.625

Sector: Software & services

Website: www.rosslynanalytics.com

Company Synopsis:

Rosslyn Analytics is a leading global "data tech" company that is recognized for its new approach to helping organizations create business value from previously inaccessible data. We have developed exciting award-winning technologies designed specifically for all business users to easily access and turn complex data into meaningful information.

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In broadening out the offering Rosslyn is hoping to become as embedded as possible with clients.

The last trading update stated that Rosslyn will enter the 2021 financial year with annual recurring revenues (ARR) of £6mIn out of a total of £7-£7.2mIn for the 12 months to April 30.

Strong order book

It also has a strong and growing order backlog it wants to capitalise on, while it is committed to staying just on the right side of break-even on an underlying (EBITDA) basis, reinvesting any surplus into growth.

It is worth saying that while it works with some big blue-chip companies, no one customer is more than 4% of turnover. So, its eggs aren't all in one basket.

The above - high recurring revenue, a strong order book etc - are all hallmarks of a potentially successful business that belies the current share price.

That said, it proved an ideal entry point for the savvy investors who in May took part Rosslyn's oversubscribed share placing, which brought in a gross £7.3mIn.

The proceeds will be ploughed into sales and marketing in order to propel the business towards its goal of tripling turnover in three years.

Some of the cash has also been set aside to make acquisitions that will help broaden the Rosslyn product set with the aim of making its services indispensable.

The investment research house Equity Development called the heavily oversubscribed fundraiser as a "major strategy endorsement" that spoke to "strong institutional support, and substantial upside potential" of the business.

Primed for growth

The latest update from Rosslyn, meanwhile, reveals just how resilient it has been recently as it has used the lockdown to strengthen its relationship with clients by using its data expertise to help them identify potential cost savings.

Using its COVID-19 dashboard, developed from its RAPid technology, users can also identify supply chain risk arising from COVID-19 incidence.

"Helping our clients build resilience and reduce risk in their supply chains will have a lasting effect far beyond lockdown," said CEO Bullen.

COVID-resistant, Rosslyn is primed for growth. So, perhaps the market's price setters should be looking to the future rather than the past.

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