

# WANdisco

FY22 trading update

## Multiple IoT deployment wins lead to upgrade

Software and comp services

WANdisco's (WAND's) FY22 trading update confirms that both momentum and the pipeline remain exceptionally strong, with bookings of \$127m (up by 967% y-o-y, Edison \$116m) and revenues of at least \$24m (+230% y-o-y, Edison \$19.0m). We raise our FY23 bookings and revenue estimates by 8.3% and 7.1% respectively. The fact that WAND's pipeline remains at record levels, even after the conversion of recent deals, indicates that deal flow momentum is likely to sustain the risk to estimates on the upside.

12 January 2023

**Price** **919p**
**Market cap** **£616m**

US\$1.22/£

Gross cash (\$m) at 31 December 2022 19

Shares in issue 67.0m

Free float 67%

Code WAND

Primary exchange AIM

Secondary exchange N/A

Year end	Revenue (\$m)	Bookings (\$m)	Ending RPO* (\$m)	EBITDA adjusted (\$m)	EPS** (c)	EV/sales (x)	Net cash (\$m)
12/20	10.5	10.2	4.9	(22.2)	(57.3)	69.5	18.1
12/21	7.3	11.9	9.4	(29.5)	(57.9)	100.2	25.9
12/22e	24.0	127.0	110.0	(13.7)	(28.6)	30.5	16.6
12/23e	30.0	130.0	210.0	(10.3)	(21.3)	24.4	10.9

Note: \*Ending RPO = beginning RPO + bookings – revenue. \*\*EPS is normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

### Share price performance



% 1m 3m 12m

Abs 43.0 93.9 173.1

Rel (local) 38.4 72.1 174.4

52-week high/low 935p 223p

## Multiple large contract wins in IoT drive results

WAND's results have been driven by multiple large contract wins for internet of things (IoT) deployment across the automotive and telecom industries, with recent one-off migration contracts for IoT data contributing to the upside. The deals provide scope for follow-on, commit-to-consume deals from these clients as they launch more IoT services and start generating significant data flows.

## Record pipeline underpins forecast revision

We raise our FY22 and FY23 revenue estimates to \$24m and \$30m respectively. Estimates for the key lead indicators, bookings and year-end RPO, also move up by a mid- to high single-digit rate (detailed below). High operational gearing brings our adjusted EBITDA loss forecasts for FY22 and FY23 down to \$13.7m and \$10.3m respectively (previously \$19.6m and \$12.6m). We continue to see upside potential across all key performance indicators. In IoT, WAND has established itself as a go-to supplier in a very large, structural growth market. The pipeline remains at record levels, even after very strong deal conversion of late, and the company expects to report continued progress in converting the pipeline to deals. If bookings are simply sustained at current levels, revenues should catch up with the \$127m booking level before long. With a broadening customer base and strong follow-on deal momentum, there are good grounds to be more optimistic here. Management expects to keep the company's cost base relatively flat, so incremental revenue upside should drop strongly through to earnings.

## Valuation: Premium, but stronger lead indicators

WAND needs to sustain momentum to continue delivering share price upside, and lead indicators increasingly support this scenario. On our current estimates, WAND is trading at 24.4x FY23e EV/sales, a significant premium to cloud software peers. However, bookings momentum shows no sign of slowing and potential revenue upside could be significant as data consumption ramps.

### Business description

WANdisco's proprietary replication technology enables its customers to solve critical data management challenges created by the shift to cloud computing. It has established partner relationships with leading players in the cloud ecosystem including Oracle, Amazon, IBM and Microsoft.

### Next events

FY22 results February/March 2023

### Analysts

Dan Ridsdale +44 (0)20 3077 5700

Ken Mestemacher, CFA +44 (0)20 3077 5700

[tech@edisongroup.com](mailto:tech@edisongroup.com)
[Edison profile page](#)

**WANdisco is a research client  
of Edison Investment  
Research Limited**

## Upgrading FY22 and FY23 estimates

We continue to be encouraged by the increasing momentum in WAND's multi-million-dollar contract wins, continued pipeline strength and growing number of IoT deals across the rapidly evolving automotive and telco sectors. Moreover, as discussed in our [update note](#) published on 22 September 2022, WAND is becoming a go-to supplier for large-scale IoT deployments as devices generate a recurring stream of data that must be gathered and sent to the cloud.

Accordingly, we are raising our FY22 and FY23 estimates (see Exhibit 1). We increase our revenue estimates to \$24m in FY22 and \$30m in FY23, up from the previous \$19m and \$28m, respectively. We boost our bookings forecasts to \$127m in FY22 and \$130m in FY23, rising from the previous \$116m and \$120m, respectively. Guidance for FY22 ending RPO of \$110m in FY22 is ahead of \$105m previously, while our estimate for FY23 moves up to \$210m from \$197m.

The trading update reported a gross cash position of \$19m at end-FY22 versus our \$26.9m estimate, but with \$44m of trade receivables reflecting strong, late deal flow. With 50% of deal value typically received upfront, upside potential to estimates and an operationally geared model, the risk of carrying out a fund-raise to shore up the balance sheet has essentially been removed. The statement confirms that management expects current resources to see WAND through to profitability.

We expect operational gearing to remain strong, as WAND generates near-100% gross margins, while management expects costs to remain relatively flat. Consequently, much of the increase in revenues should drop through to earnings, and continued momentum should result in WAND becoming a highly profitable business.

### Exhibit 1: Forecast revisions

\$m	FY22e			FY23e		
	Old	New	Change	Old	New	Change
<b>Revenue</b>	<b>19.0</b>	<b>24.0</b>	<b>26.3%</b>	<b>28.0</b>	<b>30.0</b>	<b>7.1%</b>
% growth	160.1%	228.5%	-	47.4%	25.0%	-
<b>Bookings</b>	<b>116.0</b>	<b>127.0</b>	<b>9.5%</b>	<b>120.0</b>	<b>130.0</b>	<b>8.3%</b>
<b>Ending RPO</b>	<b>105.0</b>	<b>110.0</b>	<b>4.8%</b>	<b>197.0</b>	<b>210.0</b>	<b>6.6%</b>
Gross cash balance	26.9	19.0	(29.4)%	18.5	13.9	(24.9)%
Adjusted EBITDA	(19.6)	(13.7)	30.1%	(12.6)	(10.3)	18.3%
% margin	N/A	N/A		N/A	N/A	
Normalised operating profit	(25.8)	(19.9)	22.9%	(18.8)	(16.5)	12.2%
% margin	N/A	N/A		N/A	N/A	
Normalised profit before tax	(25.1)	(19.2)	23.5%	(18.1)	(15.8)	12.7%
Reported profit before tax	(28.2)	(22.7)	19.5%	(22.1)	(19.3)	12.7%
Normalised basic and diluted EPS (c)	(38.3)	(28.6)	25.2%	(24.9)	(21.3)	14.4%
Reported EPS (c)	(43.3)	(34.3)	20.8%	(30.9)	(26.6)	14.0%
Net debt/(cash) (including leases)	(24.5)	(16.6)	32.3%	(15.5)	(10.9)	29.8%

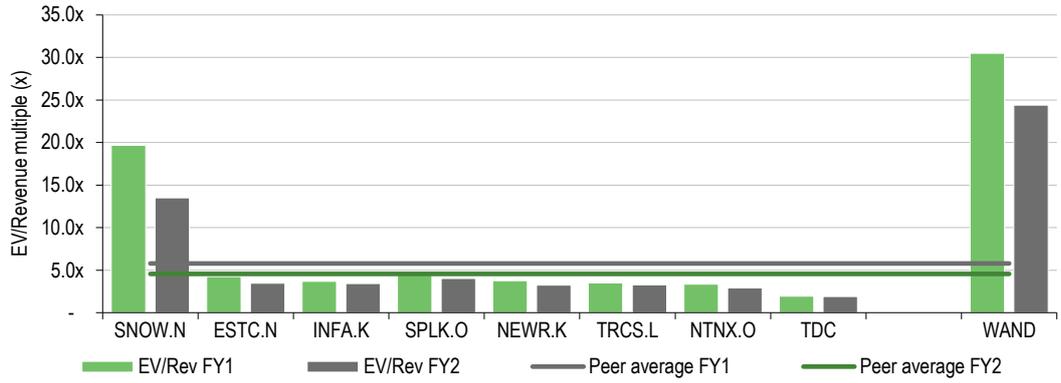
Source: Edison Investment Research

## Valuation: Premium, but stronger lead indicators

At 919p, WAND is trading at 24.4x FY23e EV/sales, a premium to cloud data software peers. However, there is strong potential for revenues to accelerate rapidly, ahead of our forecasts. If management can continue to generate \$110m in bookings per year, revenues will follow as data are consumed.

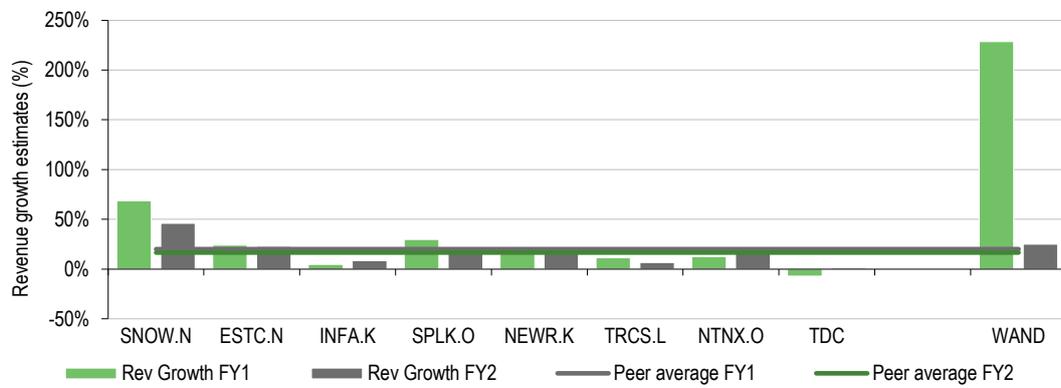
WAND needs to sustain momentum to continue delivering share price upside, and lead indicators increasingly support this scenario.

**Exhibit 2: EV/revenue multiples versus peers**



Source: Edison Investment Research, Refinitiv, as at 10 January 2023

**Exhibit 3: WAND growth forecasts versus peers**



Source: Edison Investment Research, Refinitiv, as at 10 January 2023

**Exhibit 4: Financial summary**

	\$m	2020	2021	2022e	2023e
Year end 31 December		IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>					
Revenue		10.5	7.3	24.0	30.0
Cost of Sales		(1.1)	(0.7)	(2.4)	(3.0)
Gross Profit		9.5	6.6	21.6	27.0
EBITDA		(22.2)	(29.5)	(13.7)	(10.3)
Operating Profit (before amort. and except.)		(28.5)	(35.7)	(19.9)	(16.5)
Acquired Intangible Amortisation		0.0	0.0	0.0	0.0
Exceptionals		0.0	(2.1)	0.0	0.0
Share based payments		(5.4)	(2.0)	(3.5)	(3.5)
Operating Profit		(33.9)	(39.8)	(23.4)	(20.0)
Net Interest		(1.9)	1.0	0.7	0.7
Profit Before Tax (norm)		(30.4)	(34.7)	(19.2)	(15.8)
Profit Before Tax (FRS 3)		(35.8)	(38.8)	(22.7)	(19.3)
Tax		1.5	1.2	1.4	1.5
Profit After Tax (norm)		(28.9)	(33.5)	(17.8)	(14.3)
Profit After Tax (FRS 3)		(34.3)	(37.6)	(21.3)	(17.8)
Average Number of Shares Outstanding (m)		50.5	57.8	62.2	67.0
EPS - normalised basic (c)		(57.3)	(57.9)	(28.6)	(21.3)
EPS - normalised fully diluted (c)		(57.3)	(57.9)	(28.6)	(21.3)
EPS - (IFRS) (c)		(68.0)	(65.0)	(34.3)	(26.6)
Dividend per share (c)		0.0	0.0	0.0	0.0
Gross Margin (%)		89.9	91.0	90.0	90.0
<b>KEY PERFORMANCE INDICATORS</b>					
Bookings		10.2	11.9	127.0	130.0
Ending RPO		4.9	9.4	110.0	210.0
<b>BALANCE SHEET</b>					
Fixed Assets		10.1	8.7	8.5	8.6
Intangible Assets		5.0	5.3	5.6	6.0
Tangible Assets		2.9	2.2	1.7	1.4
Investments		2.2	1.2	1.2	1.2
Current Assets		31.2	33.5	63.0	51.9
Stocks		0.0	0.0	0.0	0.0
Debtors		10.1	5.7	44.0	38.0
Cash		21.0	27.8	19.0	13.9
Other		0.0	0.0	0.0	0.0
Current Liabilities		(9.7)	(6.2)	(9.5)	(11.6)
Creditors & Deferred Income		(8.6)	(5.6)	(8.9)	(11.0)
Short term borrowings		(1.1)	(0.6)	(0.6)	(0.6)
Long Term Liabilities		(2.4)	(1.6)	(27.0)	(29.4)
Long term borrowings		(1.8)	(1.2)	(1.8)	(2.4)
Deferred Income		(0.7)	(0.3)	(25.2)	(27.0)
Net Assets		29.2	34.5	35.0	19.5
<b>CASH FLOW</b>					
Operating Cash Flow		(19.1)	(29.1)	(23.8)	(0.4)
Net Interest		(0.3)	(0.2)	0.7	0.7
Tax		0.7	1.0	1.4	1.5
Capex (including capitalised R&D)		(5.5)	(5.8)	(6.0)	(6.3)
Acquisitions/disposals		0.0	0.0	0.0	0.0
Financing (net)		24.1	41.9	19.5	0.0
Dividends		0.0	0.0	0.0	0.0
Net Cash Flow		(0.1)	7.9	(8.2)	(4.5)
Opening net debt/(cash)		(18.3)	(18.1)	(25.9)	(16.6)
HP finance leases initiated		0.0	(0.1)	(1.2)	(1.2)
Other		0.0	0.0	0.0	0.0
Closing net debt/(cash)		(18.1)	(25.9)	(16.6)	(10.9)

Source: WANdisco, Edison Investment Research

---

## General disclaimer and copyright

This report has been commissioned by WANdisco and prepared and issued by Edison, in consideration of a fee payable by WANdisco. Edison Investment Research standard fees are £60,000 pa for the production and broad dissemination of a detailed note (Outlook) following by regular (typically quarterly) update notes. Fees are paid upfront in cash without recourse. Edison may seek additional fees for the provision of roadshows and related IR services for the client but does not get remunerated for any investment banking services. We never take payment in stock, options or warrants for any of our services.

**Accuracy of content:** All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently verified. Opinions contained in this report represent those of the research department of Edison at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

**Exclusion of Liability:** To the fullest extent allowed by law, Edison shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out of or in connection with the access to, use of or reliance on any information contained on this note.

**No personalised advice:** The information that we provide should not be construed in any manner whatsoever as, personalised advice. Also, the information provided by us should not be construed by any subscriber or prospective subscriber as Edison's solicitation to effect, or attempt to effect, any transaction in a security. The securities described in the report may not be eligible for sale in all jurisdictions or to certain categories of investors.

**Investment in securities mentioned:** Edison has a restrictive policy relating to personal dealing and conflicts of interest. Edison Group does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Edison may have a position in any or related securities mentioned in this report, subject to Edison's policies on personal dealing and conflicts of interest.

Copyright: Copyright 2023 Edison Investment Research Limited (Edison).

---

## Australia

Edison Investment Research Pty Ltd (Edison AU) is the Australian subsidiary of Edison. Edison AU is a Corporate Authorised Representative (1252501) of Crown Wealth Group Pty Ltd who holds an Australian Financial Services Licence (Number: 494274). This research is issued in Australia by Edison AU and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by Edison AU is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a particular financial product you should read any relevant Product Disclosure Statement or like instrument.

---

## New Zealand

The research in this document is intended for New Zealand resident professional financial advisers or brokers (for use in their roles as financial advisers or brokers) and habitual investors who are "wholesale clients" for the purpose of the Financial Advisers Act 2008 (FAA) (as described in sections 5(c) (1)(a), (b) and (c) of the FAA). This is not a solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned or in the topic of this document. For the purpose of the FAA, the content of this report is of a general nature, is intended as a source of general information only and is not intended to constitute a recommendation or opinion in relation to acquiring or disposing (including refraining from acquiring or disposing) of securities. The distribution of this document is not a "personalised service" and, to the extent that it contains any financial advice, is intended only as a "class service" provided by Edison within the meaning of the FAA (i.e. without taking into account the particular financial situation or goals of any person). As such, it should not be relied upon in making an investment decision.

---

## United Kingdom

This document is prepared and provided by Edison for information purposes only and should not be construed as an offer or solicitation for investment in any securities mentioned or in the topic of this document. A marketing communication under FCA Rules, this document has not been prepared in accordance with the legal requirements designed to promote the independence of investment research and is not subject to any prohibition on dealing ahead of the dissemination of investment research.

This Communication is being distributed in the United Kingdom and is directed only at (i) persons having professional experience in matters relating to investments, i.e. investment professionals within the meaning of Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "FPO") (ii) high net-worth companies, unincorporated associations or other bodies within the meaning of Article 49 of the FPO and (iii) persons to whom it is otherwise lawful to distribute it. The investment or investment activity to which this document relates is available only to such persons. It is not intended that this document be distributed or passed on, directly or indirectly, to any other class of persons and in any event and under no circumstances should persons of any other description rely on or act upon the contents of this document.

This Communication is being supplied to you solely for your information and may not be reproduced by, further distributed to or published in whole or in part by, any other person.

---

## United States

Edison relies upon the "publishers' exclusion" from the definition of investment adviser under Section 202(a)(11) of the Investment Advisers Act of 1940 and corresponding state securities laws. This report is a bona fide publication of general and regular circulation offering impersonal investment-related advice, not tailored to a specific investment portfolio or the needs of current and/or prospective subscribers. As such, Edison does not offer or provide personal advice and the research provided is for informational purposes only. No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person.

Frankfurt +49 (0)69 78 8076 960  
Schumannstrasse 34b  
60325 Frankfurt  
Germany

London +44 (0)20 3077 5700  
280 High Holborn  
London, WC1V 7EE  
United Kingdom

New York +1 646 653 7026  
1185 Avenue of the Americas  
3rd Floor, New York, NY 10036  
United States of America

Sydney +61 (0)2 8249 8342  
Level 4, Office 1205  
95 Pitt Street, Sydney  
NSW 2000, Australia