

## Keeping its momentum

WANdisco's trading update confirmed that momentum continued into Q4, both in terms of commercial progress with the Subversion application lifecycle management business and in hitting development milestones in big data, where the first product launches are now anticipated in Q1.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	Net cash/(debt) (US\$m)	P/E (x)	Yield (%)
12/11	3.9	(1.0)	(20.4)	(0.7)	N/A	N/A
12/12e	5.3	(4.1)	(28.2)	14.8	N/A	N/A
12/13e	8.2	(5.1)	(23.6)	11.5	N/A	N/A
12/14e	12.8	(3.6)	(16.6)	10.8	N/A	N/A

\*PBT and EPS are normalised, excluding intangible amortisation, exceptional items and share-based payments.

### Strong bookings, renewals and new client momentum

Fourth quarter subscription bookings of \$2.53m (vs Edison \$2.5m) are up 76% year-on-year (25% sequentially) with full year bookings of \$7.92m up 71% year-on-year. The annualised renewal rate by booking value of 140% signals that existing customers are continuing to spend more, with significant increases from four large customers driving particularly strong growth in this figure. (Stripping this out, the renewal rate was 116%). New customers included Apple, Fujitsu, Cap Gemini and General Dynamics while another division of Cisco has also become a customer.

### Significant advances in big data strategy

While the statement contains no new news regarding the developments in big data/Hadoop, the company had clearly taken large strides forward over the course of Q4. In particular, the November 2012 acquisition of AltoStor significantly strengthened the company's credentials in the arena, expanding the product set and accelerating the anticipated launch of first products from 2014 to H113. We now understand that the first three product launches are anticipated to be within Q1, meaning initial bookings should come in this year.

### Estimates unchanged, but good grounds for upside

We maintain our estimates, with bookings forecast to grow at a CAGR of 47% from 2012 through 2014 and sales growth of 56%. It is worth noting that our 2013 forecasts do not factor in any contribution from Hadoop which should be incremental to our forecasts, with potentially significantly higher average subscription fees than for the more established Subversion Application Lifecycle Management products. We will address this when we have more visibility on potential booking volumes and prices.

### Valuation: What price for exposure to the core of Hadoop?

With the company rated at 14x 2014 EV/sales, clearly substantial growth prospects are being priced in. However, we feel that a continuation of the progress shown over the course of Q4 should project the company into a select group of four or five independent companies at the core of Hadoop, one of the key technologies underpinning the structural growth of big data. Progress over the next few months will give us a clearer picture of the commercial potential, but if the company executes on its plans then we can still see significant upside potential.

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

## Technology

15 January 2013

Price **585.0p**  
Market cap **£125m**  
£1/US\$1.6

Shares in issue 21.3m  
Free float 58%  
Code WAND  
Net cash (30 June 2012) \$22m  
Primary exchange AIM  
Other exchanges N/A

### Share price performance



	1m	3m	12m
% Abs	32.2	38.5	N/A
Rel (local)	27.9	30.8	N/A
52-week high/low	585.00p	180.00p	

### Business description

WANdisco is a distributed computing company. It has applied its proprietary replication technology to open-source tools to claim a strong position in the software version control market. It is now targeting the big data infrastructure market.

### Next events

Full year results 25 April 2013

### Analyst

Dan Ridsdale +44 (0)20 3077 5729

[tech@edisoninvestmentresearch.co.uk](mailto:tech@edisoninvestmentresearch.co.uk)

[Edison profile page](#)

## Exhibit 1: Financial summary

	\$'000s	2010	2011	2012e	2013e	2014e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS
<b>PROFIT &amp; LOSS</b>						
Revenue		2,984	3,878	5,258	8,188	12,769
Cost of Sales		(588)	(303)	(871)	(1,320)	(1,881)
Gross Profit		2,396	3,575	4,387	6,868	10,888
EBITDA		(828)	150	(2,757)	(3,140)	(131)
Operating Profit (before amort. and except.)		(1,474)	(876)	(4,212)	(5,195)	(3,686)
Intangible Amortisation		0	0	0	0	0
Exceptionals		(204)	(205)	(2,716)	0	0
Share based payments		(182)	(73)	(545)	(100)	(100)
Operating Profit		(1,860)	(1,154)	(7,473)	(5,295)	(3,786)
Net Interest		(97)	(75)	100	100	100
Profit Before Tax (norm)		(1,571)	(951)	(4,112)	(5,095)	(3,586)
Profit Before Tax (FRS 3)		(1,957)	(1,229)	(7,373)	(5,195)	(3,686)
Tax		44	25	74	52	37
Profit After Tax (norm)		(1,527)	(926)	(4,039)	(5,043)	(3,549)
Profit After Tax (FRS 3)		(1,913)	(1,204)	(7,300)	(5,143)	(3,649)
Average Number of Shares Outstanding (m)		4.5	4.5	14.3	21.3	21.3
EPS - normalised (c)		(33.6)	(20.4)	(28.2)	(23.6)	(16.6)
EPS - normalised and fully diluted (c)		(33.6)	(20.4)	(28.2)	(23.6)	(16.6)
EPS - (IFRS) (c)		(42.1)	(26.5)	(50.9)	(24.1)	(17.1)
Dividend per share (c)		0.0	0.0	0.0	0.0	0.0
Gross Margin (%)		80.3	92.2	83.4	83.9	85.3
EBITDA Margin (%)		N/A	N/A	N/A	N/A	-1.0
Operating Margin (before GW and except.) (%)		N/A	N/A	N/A	N/A	N/A
<b>BALANCE SHEET</b>						
Fixed Assets		1,198	1,386	9,171	11,676	12,671
Intangible Assets		1,116	1,343	9,143	11,643	12,643
Tangible Assets		82	43	28	33	28
Investments		0	0	0	0	0
Current Assets		284	1,262	16,799	13,763	14,051
Stocks		0	0	0	0	0
Debtors		205	1,188	1,980	2,280	3,249
Cash		79	74	14,819	11,483	10,802
Other		0	0	0	0	0
Current Liabilities		(6,086)	(8,151)	(10,340)	(14,752)	(19,484)
Creditors		(5,453)	(7,446)	(10,340)	(14,752)	(19,484)
Short term borrowings		(633)	(705)	0	0	0
Long Term Liabilities		(5)	(70)	(5)	(5)	(5)
Long term borrowings		0	(65)	0	0	0
Other long term liabilities		(5)	(5)	(5)	(5)	(5)
Net Assets		(4,609)	(5,573)	15,624	10,682	7,233
<b>CASH FLOW</b>						
Operating Cash Flow		840	973	(3,270)	1,072	3,732
Net Interest		(97)	(75)	100	100	100
Tax		0	0	74	52	37
Capex (inc capitalised R&D)		(1,134)	(1,214)	(4,140)	(4,560)	(4,550)
Acquisitions/disposals		0	0	(1,500)	0	0
Financing		0	0	24,252	0	0
Dividends		0	0	0	0	0
Net Cash Flow		(391)	(316)	15,515	(3,336)	(682)
Opening net debt/(cash)		163	554	696	(14,819)	(11,483)
HP finance leases initiated		0	0	0	0	0
Other		0	174	0	(0)	(0)
Closing net debt/(cash)		554	696	(14,819)	(11,483)	(10,802)

Source: WANDisco, Edison Investment Research

**EDISON INVESTMENT RESEARCH LIMITED**

Edison Investment Research Limited (Edison) is a leading international investment research company. Edison and its subsidiaries (Edison Group) have won industry recognition, with awards both in Europe and internationally. The team of 95 includes over 60 analysts supported by a department of supervisory analysts, editors and assistants. Edison writes on more than 400 companies across every sector and works directly with corporates, fund managers, investment banks, brokers and other advisers. Edison's research is read by institutional investors, alternative funds and wealth managers in more than 100 countries. Edison, founded in 2003, has offices in London, New York, Sydney and Wellington. Edison is authorised and regulated by the United Kingdom's Financial Services Authority ([www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584](http://www.fsa.gov.uk/register/firmBasicDetails.do?sid=181584)). Edison Investment Research (NZ) Limited (Edison NZ) is the New Zealand subsidiary of Edison. Edison NZ is registered on the New Zealand Financial Service Providers Register (FSP number 247505) and is registered to provide wholesale and/or generic financial adviser services only.

**DISCLAIMER**

Copyright 2013 Edison Investment Research Limited. All rights reserved. This report has been commissioned by WANdisco and prepared and issued by Edison for publication globally. 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. Opinions contained in this report represent those of the research department of Edison at the time of publication. 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). It is not intended for retail clients. This is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities. This document is provided for information purposes only and should not be construed as an offer or solicitation for investment. Edison has a restrictive policy relating to personal dealing. Edison Group does not conduct an investment business and, accordingly, does not hold any positions in the securities mentioned in this report. However, their respective directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. Edison or its affiliates may perform services or solicit business from any of the companies mentioned in this report. The value of securities mentioned in this report can fall as well as rise and are subject to large and sudden swings. In addition it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. 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. 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 (ie 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. To the maximum extent permitted by law, Edison, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.

Registered in England, number 4794244, Edison Investment Research Limited is authorised and regulated by the United Kingdom Financial Services Authority, [www.edisoninvestmentresearch.co.uk](http://www.edisoninvestmentresearch.co.uk). Registered on the New Zealand Financial Service Providers Register, number 247505, Edison Investment Research (NZ) Limited is registered to provide wholesale and/or generic financial adviser services and is regulated by the New Zealand Financial Markets Authority.

**London** +44 (0)20 3077 5700  
Lincoln House, 296-302 High Holborn  
London, WC1V 7JH, UK

**New York** +1 646 653 7026  
245 Park Avenue, 24<sup>th</sup> Floor 10167,  
New York, US

**Wellington** +64 4894 8555  
Level 15 HP Tower, 171 Featherston  
Street, Wellington 6011, NZ

**Sydney** +61 (0)2 9258 1162  
Level 33, Australia Square, 264 George St,  
Sydney, NSW 2000, Australia