RNS Number : 6612S
Cirata PLC
09 January 2025

9 January 2025

Cirata plc
("Cirata" or the "Company")

Q4FY24 Trading Update

Strongest bookings quarter since Q2FY22

Significant reduction in cost base, enhanced product set and commercial channels achieved

Looking to FY25 as the start of the 'growth' phase, built on a sustainable cost model that provides improved operating leverage and investment capacity to drive continued quality growth

Cirata plc (LSE: CRTA) today announces an unaudited trading update for the quarter ended 31 December 2024. A recorded video with Stephen Kelly, CEO of Cirata, can be found here.

Summary

- Bookings Metrics
  - Strongest bookings quarter since Q2FY22
  - Bookings in Q4FY24 of 3.0m (Q4FY23: 2.7m; Q3FY24: 1.7m)
    - Q4FY24 Data Integration ("DI") bookings of 2.3m, a rise of 53% compared to Q4FY23 bookings of 1.5m
  - Bookings FY24 of 7.1m (FY23: 7.2m)
    - FY24 DI bookings were 4.7m, up 81% compared to FY23 DI bookings of 2.6m
    - Improved business mix trending towards DI, Cirata's core growth driver, with DI representing 66% of FY24 bookings (FY23: DI 36%)
- Commercial Momentum
  - c. 2.0m Live Data Migrator ("LDM") contract signed in Q4 with a top 3 US bank, representing largest Original Equipment Manufacturer ("OEM") Big Replicate implementation to date
  - 13 contracts signed, of which 6 contracts relate to DI
- Product and Partner Achievements
  - As announced on 2 October 2024, an amendment to Cirata's agreement with IBM, which retired prepaids of 1.7m ensuring fresh commercial alignment between both organizations, is helping pipeline development and contributing to conversion
  - Major release of LDM 3.0[1], with new features particularly significant for enterprises adopting Apache Iceberg and Databricks Delta Lake within their data ecosystems

- Financial Discipline and Governance
  - Q4 cash overheads reduced to 5.0m (Q4FY23: 5.7m; Q3FY24: 5.3m)
  - Q4 cash burn was 3.2m (Q4FY23: 5.5m; Q3FY24: 3.2m)
  - Cash position as at 31 December 2024 of 9.7m (Q4FY23: 18.2m; Q3FY24: 12.9m)
  - Short term trading receivable position increased to 3.6m as of 31 December 2024 (Q4FY23: 1.8m). Expected collections H1FY25
  - Cash overhead annualized run rate exiting Q4FY24 of c. 20.4m compared to 23m in Q4FY23
  - Strengthened board, with two seasoned Non-Executive Directors
- FY25 Outlook
  - Transition to a more predictable growth phase and Target Operating Model. Further commentary to be provided in the FY24 results
  - Improvements in the levels of sales activity, visibility, predictability, and execution

- o Improvements in the levels of sales activity, visibility, predictability, and execution
- o Continued improvement in the quality of business mix and revenues towards DI
- o Expected annualized cash overheads reduced to 16-17m exiting Q1FY25 with actions already taken

Trading Update

Total bookings in Q4FY24 were 3.0m (Q4FY23: 2.7m), representing the Company's strongest bookings quarter since Q2FY22 driven by an LDM contract with a top 3 US bank and a renewed partnership with IBM. DI represents the current and future growth engine of Cirata. DI bookings in Q4FY24 were 2.2m, up 51% compared to Q4FY23. This is the strongest bookings quarter for DI since Q4FY20. DI accounted for 77% of bookings and DevOps software accounted for 23% of bookings (Q4FY23 DI 57%: DevOps 43%). In total, 13 contracts were signed in the quarter of which 6 were DI (Q4FY23: in total, 15 contracts signed of which 4 were DI). DI bookings in International were disappointing as was DevOps new business. The overall DevOps decline was 47% from 4.6m in FY23 to 2.4m in FY24. The DevOps decline is primarily due to challenging prior year renewals comparisons when multi-year bookings had been reported.

For FY24 overall, the Company delivered total bookings of 7.1m (FY23 7.2m) representing broadly flat growth YoY but with a mix shift to DI. DI bookings were 4.7m growing of 81% YoY. DI accounted for 66% of bookings and DevOps software accounted for 34% (FY23: DI 36% and DevOps 64%).

[1] https://cirata.com/news/article/cirata-releases-data-migrator-30

This was the strongest year for DI bookings since FY20 and underpinned management's belief in its potential to scale with the focus on Data Integration. From a strongly negative trend (-87% YoY) in Q1FY23, DI bookings registered a positive 180% YoY growth in Q3FY24, followed by 53% YoY growth in Q4FY24. In addition, contract activity went from 2 contracts signed in Q1FY23 to 8 in Q3FY24 and 6 contracts in Q4FY24: demonstrating a stronger 2H performance.

The DI growth metrics supported by operating overheads that have been reduced by over 50% from its peak give us cause for optimism in our strategy and demonstrate the potential operating leverage in the business.

The cadence of contract activity is improving and there is evidence that our "land & expand "strategy is gaining traction. However, management is working to address the issues related to bookings slippage which impacted closure expectations throughout FY24 and highlighted in our mid quarter update announced on 16 December 2024 when Management withdrew its FY24 guidance. These visibility and predictability issues are being addressed by further focus on extensive sales training - from sales discovery, the qualification process and through to contract completion.

Sales and Marketing productivity improvements are a continuing priority for management in FY25. Establishing greater sales cycle predictability remains a key priority for management to enable Cirata to enhance growth potential, shortening its sales cycle and customer acquisition cost.

Cash and Overheads

Management continues to focus on improving operating leverage and sustainability. Management is pleased to have achieved its goal of exiting FY24 with a reduced annualized cash cost overhead of c. 20.4m, an approximate 50% reduction from the annualized run rate in excess of 40m in early FY23. Management has acted to provide further improvements on this front, anticipating a reduction to the annualized cash cost overhead by a further c. 4m. This means the annualized cost run rate will be 16-17m as the company exits Q1FY25, close to a third of its peak.

Cash overheads in Q4 were circa 5.0m and cash burn in the quarter was 3.2m. The Q4 cash burn was flat relative to Q3, impacted by the timing of collections. This is counter-balanced by a short-term receivables balance of 3.6m as at 31 December 2024 which the company expects to collect in H1FY25. The Company had also been advised by InvestNI (Government Agency) in Q4 FY24 that there will be a delay to a final grant payment for the sum of circa 500,000. This is a change to the expectation of payment of the grant award and impacted the Company's forecasted cash collection for this particular sum. The net cash position reported for the period ending 31 December 2024 however reflects the impact of the change.

The Company's cash balance was 9.7m as of 31 December 2024.

Together with the overall cost reduction, further changes in relative capital allocation towards the target operating model will be secured. This will provide a balance between preservation of sufficient long-term working capital and targeted growth initiatives as the business scales.

FY25 Outlook

The Company is planning to transition to a more predictable growth phase, and towards its Target Operating Model. Management expects improvements in the levels of sales activity, both direct and through partners and to improve visibility, predictability and sales execution. For example, elements of the GTM 'Land & Expand' strategy continue to yield growth from existing customers.

At this very early stage in the financial year, Management's internal plans for FY25 are:

- Continued improvement in the quality of business mix and revenues towards DI
- Continued high growth in DI following the FY24 trajectory
- Greater stability in renewals and DevOps
- Further expense savings to provide annualized expense run-rate of 16-17m from the end of Q1 FY25. The sustainable cost base will be circa one third of the peak expense levels of early FY23.
- Bookings to continue to be back-end weighted with a similar quarterly profile to FY24
- Management does not anticipate a FY25 fundraise for working capital given its assessment of the current pipeline, the strategic actions to improve predictability and the significantly reduced cost base

Management will provide a further outlook and trading commentary at its FY24 results.

Stephen Kelly, Chief Executive Officer, commented:

"This Management Team came together to drive value creation for shareholders. Phase 1 in FY23 was a company rescue phase. Phase 2 in FY24 was the recovery phase and with the recent cost reductions, this phase is completed. With FY25, the company is moving into it's growth phase. Q4FY24 brings to a close a year in which we have done much to rearchitect, restabilize and reposition Cirata for more predictable, sustainable growth. The business is improved on almost every metric. We are driving growth in our key Data Integration product on a significantly reduced cost base.

Our task remains to demonstrate to customers the power of our product - and, in so doing, demonstrate to our investors Cirata's ability to hit targets and deliver sustainable growth. I am heartened by our increasing understanding of our customers' preferred purchasing patterns, the strengthening of our critical partner relationships, and by our conversion in Q4FY24 of our largest IBM Big Replicate implementation to-date. Now, we must deliver more sustainably, more broadly and more consistently.

We enter FY25 with a growth mindset and the continued optimization towards our target operating model - reducing cash overheads by approximately two thirds from the peak of early FY23. Our 'Land & Expand' engagements with customers are bearing fruit and the challenge for this year is clear: we must deliver more of this success into an improved cadence for the year ahead. We roll up our sleeves and step into what we intend to be a material growth year, which would be the first significant growth year for the company in five years built off a sustainable cost model with operating leverage and investment capacity to drive further growth."

Business Review.

KPI	FY22 Q4	FY23 Q1	Q2	Q3	Q4	FY24 Q1	Q2	Q3	*Q4*
Headcount	177	193	127	109	112	116	107	92	93
Overhead	11.1m	9.4m	8.2m	7.0m	5.7m	6.2m	5.5m	5.3m	5.0m
Bookings	2.2m	2.1m	0.7m	1.7m	2.7m	0.7m	1.7m	1.7m	3.0m
DI Bookings	1.2m	0.2m	0.4m	0.5m	1.5m	0.3m	0.6m	1.4m	2.3m
DI Growth	-43%	-87%	-69%	0%	25%	50%	50%	180%	51%
Contract[2] Activity	2	2	4	4	3	4	1	8	6
Cash Burn	10.3m	11.0m	6.3m	7.9m	5.5m	4.9m	4.2m	3.2m	3.2m

During FY24 the company continued to deliver against the fundamental areas of our strategy, designed to build a better business positioned for sustainable growth.

- **Product investment and returns**

  The Company's growth engine is its DI product, but management inherited a product in LDM that was unstable and not ready for Enterprise grade deployment at scale. The engineering teams are improving this situation, establishing a scalable, stable LDM product into some of the most demanding data environments in the enterprise. The Company iterated several product releases during the year, culminating in Q4FY24's major release of LDM 3.0: the first major release in 3 years. LDM 3.0 is aligned with our partners' and target customers' roadmaps in its support for both Databricks unity catalogue and Apache Iceberg. Product innovation has also continued in DevOps where the Company launched Gerrit Multisite 3.7 and further releases to support Gerrit 3.9 are planned.

- **Partnerships, Sales and GTM**

  During the year Cirata has worked hard to renew and maintain partnership relationships which are key to our sales ambitions and positioning: some of which were negatively impacted by prior prepay arrangements. As disclosed on 2 October 2024, Cirata is pleased to have renewed our OEM relationship with IBM and retired the prepay associated with it.

  [2] Data Integration contract signed included renewals, growth and new

  In Q4FY24 Cirata also cleared certain outstanding data volume petabyte channel agreements. The power and trust embedded in these partnerships can be most clearly seen in the commercial engagements they help us to source, most notably partnering with IBM in Q4FY24 for a top 3 US bank. This was Cirata's largest implementation to date through the IBM Big Replicate platform.

  The Company also announced in December the expansion of our partnership with Databricks to deliver Data Migration as a service through our recently announced ("DMaaS") offering[3]. This is an initiative to help our customers and partners discover the LDM product and accelerate our "land "strategy, in short 'new logos'. In addition, Cirata expanded its partner reach through an alliance with TD Synnex - a leading global distributor and aggregator for the IT ecosystem - whereby Cirata offers its advanced migration services to TD Synnex ecosystems of channel partners.

  In lead generation & marketing, management inherited a Company with poor lead generation metrics. The company was rebranded 'Cirata' for 2024 and enters this new year with a re-positioned product set in addition to a relaunched website and social media engagement metrics, which are starting to scale. Managements FY25 plans will reflect continued investment in the lead generation engine as the team doubles down on 'what works' from our discovery activities in H2FY24. The Company has much work to do to improve the forward visibility of the business as it embarks on the growth plans for FY25. Management is, however, reassured that the Company has landed LDM into some of the most demanding enterprise environments in the world. In addition, major blue-chip companies from the Automotive, Financial Services, Semiconductor and Retail sectors have entrusted their mission critical workloads to our products.

- **Governance & Disclosures**

  Leadership and challenge are an important ingredient when bringing about transformational change. Cirata announced early in Q4FY24 the appointment of two outstanding Non-Executive Directors to the Board[4]. The appointment of Amanda Jobbins (seasoned software/growth experience who lives between USA/UK and currently Vodafone CMO) and Eric Collins (Serial Entrepreneur, multiple exits, Board/Chair/CEO and American national) is the culmination of an exhaustive search process. They bring a wealth of commercial experience to our firm for the journey ahead.

This announcement contains inside information under the UK Market Abuse Regulation. The person responsible for arranging the release of this announcement on behalf of Cirata plc is Larry Webster, Company Secretary.

[3] DMaaS - data migration as a service: https://cirata.com/news

[4] RNS Number 3208G 01 October 2024

For further information, please contact:

Cirata Stephen Kelly, Chief Executive Officer Ricardo Moura, Chief Financial Officer Daniel Hayes, Investor Relations	**+1 (925) 380 1728**
FTI Consulting Matt Dixon / Kwaku Aning / Usama Ali	**+44 (0)20 3727 1137**
Stifel (Nomad and Joint Broker) Fred Walsh / Ben Good / Sarah Wong	**+44 (0)20 7710 7600**
Panmure Liberum (Joint Broker) Max Jones / John More	**+44 (0)20 3100 2000**

About Cirata

Cirata, accelerates data-driven revenue growth by automating data transfer and integration to modern cloud analytics and AI platforms without downtime or disruption. With Cirata, data leaders can leverage the power of AI and analytics across their entire enterprise data estate to freely choose analytics technologies, avoid vendor, platform, or cloud lock-in while making AI and analytics faster, cheaper, and more flexible. Cirata's portfolio of products and technology solutions make strategic adoption of modern data analytics efficient and automated.

For more information about Cirata, visit www.cirata.com

END

TSTUWUARVWUARUR