

# Endace H1 Results

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# Financial highlights

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- Sales increased 37% year on year to US\$18.6 million
- Gross margins improved to 72.6%
- Pre-tax profit, adjusted for share options, of US\$0.2 million
- Cash at period end was US\$2.6 million
- Systems sales grew 79% to be 42% of total revenues
- Annuity income grew 84% to be 17% of total revenues

# Operational highlights

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- Clear customer need for what we deliver and verification of true mainstreet business value
- Continued heavy investment in R&D driving company towards becoming a full solutions provider
- Hire of Spencer Greene raising visibility of the company in Silicon Valley & prompting the market to take note
- Extensive strategy work defining high level roadmap to 2020
- Strong sales pipeline giving positive outlook on H2
- Remain aware of the challenging macro economic background but have not seen any change to expected order patterns

# H1 Ended 30<sup>th</sup> September 2011

- Revenue of \$18.6m  
(H1 FY11 \$13.6m)
  - Americas \$11.5m
  - EMEA \$5.6m
  - APAC \$1.5m
- Product Mix
  - Systems – 42%
  - DAG cards – 33%
  - Accessories – 5%
  - Support / services – 19%
- Overall gross margin 72.6%  
(H1 FY11 66.1%)
- PBTO \$0.2mm  
(H1 FY11 LBTO \$1.3m)
- Cash balance \$2.6m  
(H1 FY11 \$1.3m)

	2011 US\$'000	2010 US\$'000
<b>Revenue</b>	18,599	13,613
Cost of sales	(5,096)	(4,621)
<b>Gross profit</b>	13,503	8,992
Other income	809	42
Selling and administrative expenses	(10,279)	(7,346)
Research and development expenses	(4,026)	(3,147)
Finance cost	(14)	(66)
Finance income	24	12
<b>Profit/(loss) before taxation</b>	17	(1,513)
Income tax (expense)/benefit	(124)	399
<b>Profit/(loss) for the year</b>	(107)	(1,114)
<b>Earnings per share</b>	<b>US cents</b>	<b>US cents</b>
- basic	(0.71)	(7.44)
- diluted	(0.71)	(7.44)

# Key wins

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- Good level of competitive wins in both traditional and new markets
- Heavy investment in US sales teams starting to pay real dividends in core markets (going deeper into key accounts)
- Broader relationship with Enterprise sector with competitive wins leveraging power of Endace Application Dock
- Self referencing markets within government intelligence communities across 5-eyes countries generating new opportunities
- First win in Mobile Security segment

# The naked truth – organisations are blind



Organisations actually know very little about what's really happening on their networks, exposing them to reputational and operational risk

Systemic network blindness is making it impossible for organisations to extract full value from IT investments

High resolution network visibility and instrumentation becoming mission critical for most large organisations

 84%

..of respondents have concerns about their incumbent vendor's abilities to manage 10Gbps throughput environments

# Gartner commentary

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“By year end 2015, 60% of the Global 2000 will use a single packet capture appliance system for round-trip network performance monitoring and application end-user monitoring”

Deb Curtis, Gartner - IT Infrastructure, Ops and Mgt Summit, June 2011

“The basis of all excellence is truth”

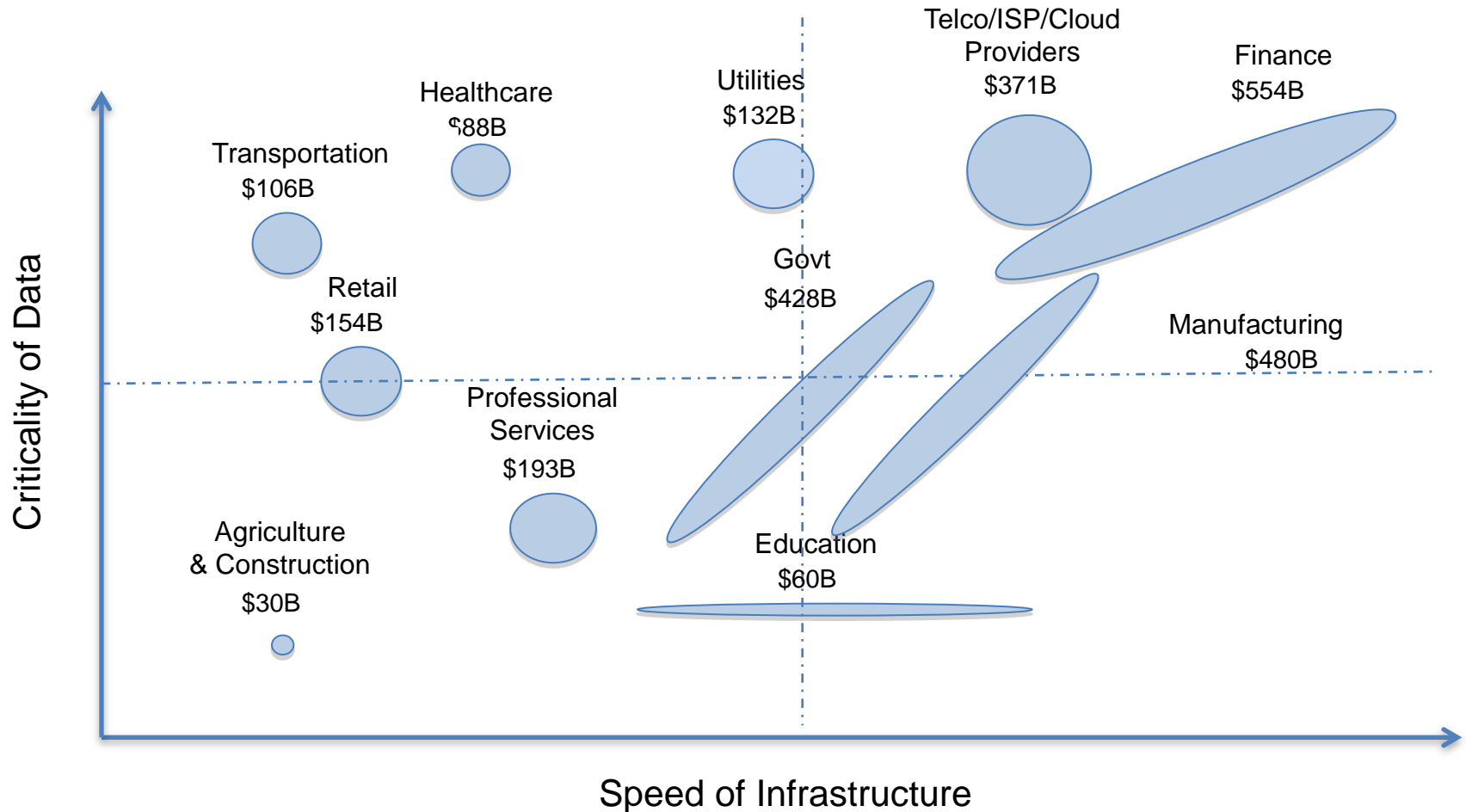
Samuel Johnson

# Endace opportunity

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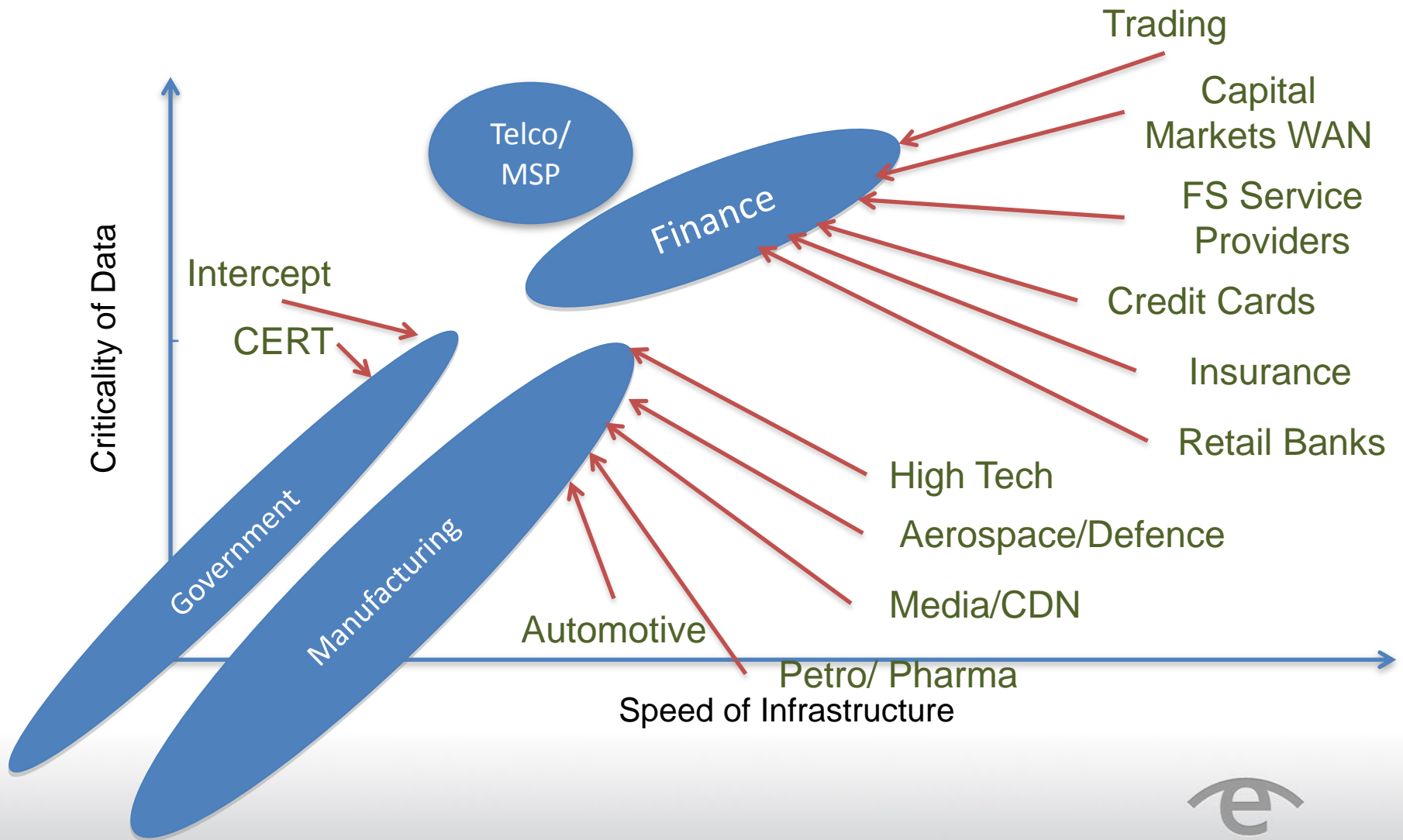
- Position ourselves as *the* 'network visibility' company providing 'HD' application-aware visibility into the network targeting organisations that have the greatest to gain / most to lose
- Focus on core, proven Endace technology strengths
  - Information resolution (100% capture, App Awareness)
  - Real time and retrospective access to data
  - Architecture (single instrumentation fabric, network wide)
  - Resolution workflow (finding the needle in the haystack)
  - Flexibility (Many modules, one fabric + 3<sup>rd</sup> party apps)
  - Scalability (10, 40 & 100Gbps)

# Industry segmentation



Area indicates total IT spending – source Gartner 2009

# Industry segmentation



# Common needs across segments

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- Packet mining (finding needles in haystacks)
- Latency measurement
- Transaction assurance
- Video and VoIP assurance
- Passive threat detection
- Information assurance

# Market valuations (Gartner 2011)

Packet mining/ Root cause Analysis	Forensics Network Performance Management Network Protocol Analyser
Latency Instrumentation	Network Performance Management
Transaction assurance	Network Performance Management APM/ BPM
V/VOIP assurance	Network Performance Management APM
Passive threat detection	IDS SIM/SIEM Vulnerability Assessment
Information assurance	Forensics DLP

Size of the prize:

\$6bn

A man in a dark suit stands with his back to the camera, looking out of a large window. The window reflects the sky and clouds. Outside, a vast cityscape is visible under a cloudy sky. The city is densely packed with buildings, and a prominent skyscraper is visible in the foreground on the right. The overall scene is in a high-angle, panoramic view from an elevated position.

# Introducing EndaceVision™

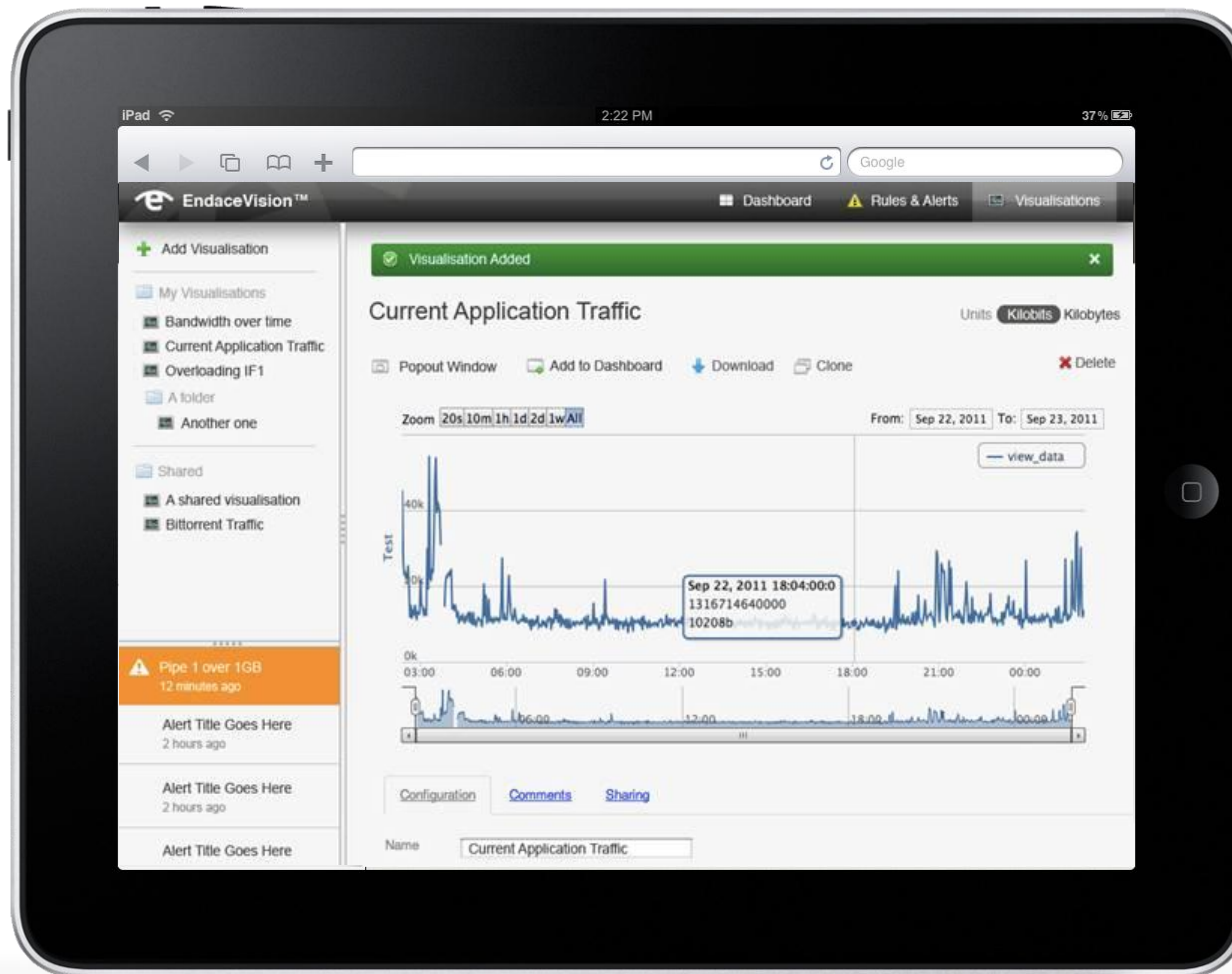


# Introducing EndaceVision™

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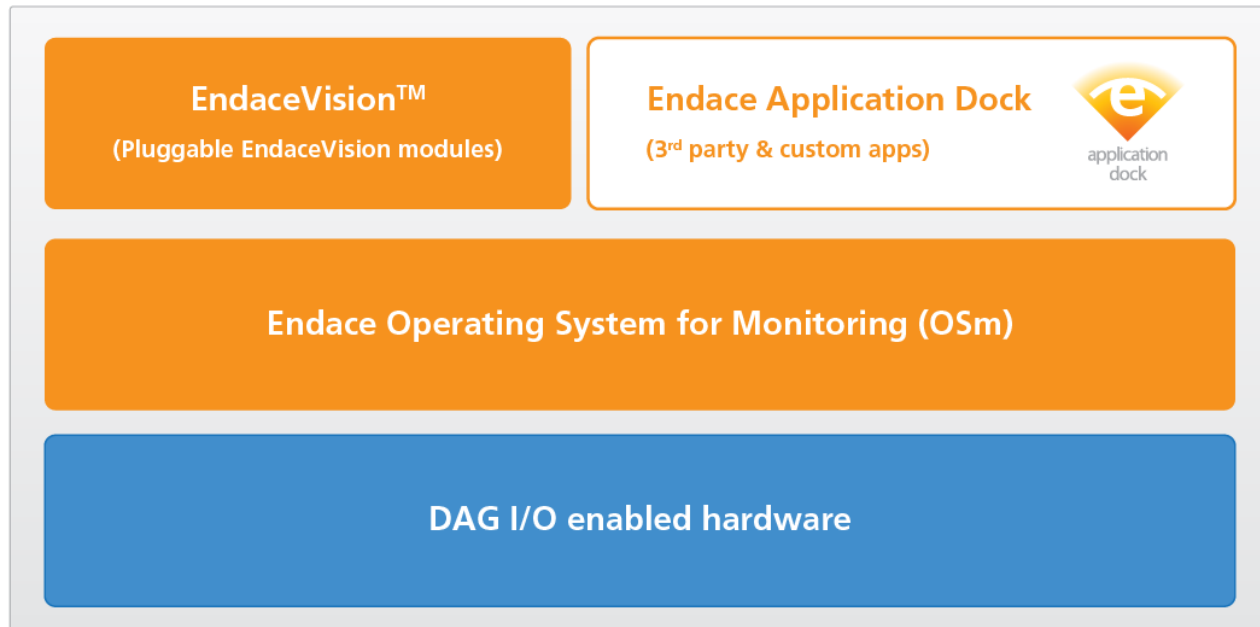
- A single ‘HD’ lens into today’s high speed IP networks
  - Workspace for visualizing and interrogating network events
  - Unique event resolution workflow for finding needles in hay
  - Consolidated dashboard of events
  - Application aware
- Flexible, browser based interface optimised for tablets
- Support for a series of ‘pluggable’ Endace Monitoring Modules
  - Network performance
  - Network security
  - VoIP monitoring
  - Transaction Assurance
- Easy and rapid integration with existing systems and tools
  - creating new value for old tools

# EndaceVision workspace



# Foundations of the Fabric

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# Endace Systems

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## EndaceSensor™



High-performance real-time monitoring

8 x GE or 4 x 10GE

## EndaceProbe™



High performance monitoring and recording

Up to 32TB storage  
20XGE or 10x10GE

## EndaceExtreme™



Ultra high-performance

40/100Gb/s monitoring and recording systems

# Thinking about the problem-set

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## Apple

- Vertically integrated product
- Best system integrators on the planet
- “Customers don’t know what they need”
- Execution is strategy
- Identify unique value then deliver it
- Demonstrate what the product can do, not how it works
- Strong lifecycle management

## Google

- Unleashed the value of the internet
- Ahead of the game
- Creates order from chaos
- Integrates others’ ideas



# Measurable business benefits

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- Unlocking of latent investment value in large infrastructure programmes through better asset utilisation & performance
- Reduction in capital infrastructure spending through better network performance and network optimisation
- Improvements in network uptime through more effective proactive monitoring processes – foundation of automation
- Reduction in operational costs associated with event remediation
- Reduction in operational costs associated with infrastructure management through common shared instrumentation

# Competition

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- Network visibility is a growing market consolidating other markets
- For the first time, category includes netsec and netops
- Traditional players (re)positioning themselves in the space
- New competitors emerging
- Different interpretations and methods of delivering visibility
- Endace positioned at the top, mission critical end of the market



riverbed™

Think fast.

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>security through network intelligence™



# Summary and outlook

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- Positive outlook for Endace
- Clear 'mission-critical' market for what we deliver
- Defensible position, recognised by Gartner as being valuable
- Good partnerships and Go-to-market opportunities in development
- Remain aware of the challenging macro economic background but have not seen any change to expected order patterns

# Appendices

# Consolidated Income Statement for the six months ended 30 September 2011

	6 Months Ended 30 September 2011 (unaudited) US\$'000	6 Months Ended 30 September 2010 (unaudited) US\$'000	12 Months Ended 31 March 2011 (audited) US\$'000
<b>Revenue</b>	18,599	13,613	38,367
Cost of sales	(5,096)	(4,621)	(12,838)
<b>Gross profit</b>	13,503	8,992	25,529
Other income	809	42	511
Selling and administrative expenses	(10,279)	(7,346)	(17,119)
Research and development expenses	(4,026)	(3,147)	(6,475)
Finance cost	(14)	(66)	(85)
Finance income	24	12	67
<b>Profit / (Loss) before taxation</b>	17	(1,513)	2,428
Income tax (expense) / benefit	(124)	399	(270)
<b>(Loss) / Profit for the period after tax</b>	(107)	(1,114)	2,158
<b>Earnings per share</b>	<b>US cents</b>	<b>US cents</b>	<b>US cents</b>
- basic	(0.71)	(7.44)	14.35
- diluted	(0.71)	(7.44)	12.95

# Consolidated Balance Sheet as at 30 September 2011

	As at 30-Sep 2011 (unaudited) US\$'000	As at 30-Sep 2010 (unaudited) US\$'000	As at 31-Mar 2011 (audited) US\$'000
<b>Current assets</b>			
Cash and cash equivalents	2,591	1,286	6,388
Trade and other receivables	11,987	8,861	11,962
Financial derivatives	-	405	302
Inventories	4,027	2,964	3,434
<b>Total current assets</b>	<b>18,605</b>	<b>13,516</b>	<b>22,086</b>
<b>Non-current assets</b>			
Property, plant and equipment	6,150	4,674	5,038
Intangible assets	13,788	12,211	12,783
Deferred tax asset	1,772	2,427	1,346
<b>Total non-current assets</b>	<b>21,710</b>	<b>19,312</b>	<b>19,167</b>
<b>Total assets</b>	<b>40,315</b>	<b>32,828</b>	<b>41,253</b>
<b>Current liabilities</b>			
Trade and other payables	7,111	4,622	8,473
Financial derivatives	326	-	-
Current income tax liabilities	258	452	85
Deferred income	3,388	2,044	3,425
<b>Total current liabilities</b>	<b>11,083</b>	<b>7,118</b>	<b>11,983</b>
<b>Non-current liabilities</b>			
Deferred income tax liabilities	23	5	23
Deferred income	335	318	421
<b>Total non-current liabilities</b>	<b>358</b>	<b>323</b>	<b>444</b>
<b>Total liabilities</b>	<b>11,441</b>	<b>7,441</b>	<b>12,427</b>
<b>Equity</b>			
Share capital	15,925	15,272	15,414
Foreign currency translation reserve	(147)	(147)	(147)
Cash flow hedge reserve	(235)	405	221
Share option reserve	1,726	1,526	1,711
Retained earnings	11,605	8,331	11,627
<b>Total equity</b>	<b>28,874</b>	<b>25,387</b>	<b>28,826</b>
<b>Total equity and liabilities</b>	<b>40,315</b>	<b>32,828</b>	<b>41,253</b>

# Consolidated Cash Flow Statement for the six months ended 30 September 2011

	6 Months Ended 30 September 2011 (unaudited) US\$'000	6 Months Ended 30 September 2010 (unaudited) US\$'000	12 Months Ended 31 March 2011 (audited) US\$'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers	18,696	16,098	39,177
Cash paid to suppliers and employees	(19,794)	(13,893)	(28,865)
<b>Cash generated from operations</b>	(1,098)	2,205	10,312
Interest paid	(14)	(66)	(85)
Proceeds from government grants	766	42	75
Income tax payment	(199)	(561)	(583)
Net cash flows (used in) / from operating activities	(545)	1,620	9,719
<b>Cash flows used in investing activities</b>			
Purchases of property, plant and equipment	(1,343)	(721)	(2,218)
Purchases of intangible assets	(117)	(46)	(116)
Investment in product development	(2,434)	(1,433)	(3,268)
Proceeds from government grants - development assets	208	19	215
Interest received	24	12	67
Net cash flows used in investing activities	(3,662)	(2,169)	(5,320)
<b>Cash flows from financing activities</b>			
Proceeds from exercise of share options	448	-	113
Net cash flows from financing activities	448	-	113
Net (decrease) / increase in cash and cash equivalents	(3,759)	(549)	4,512
Cash and cash equivalents at beginning of period	6,388	1,755	1,755
Exchange (losses) / gains on cash and cash equivalents	(38)	80	121
Cash and cash equivalents at end of period	2,591	1,286	6,388