AIM Advisers, Inc.
Maximizing Present & Future Value

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WANdisco Raises $29 Million in AIM IPO

$24 Million for the Company and $5 Million for the Founders

Overview

Sheffield, England and San Ramon, California-based WANdisco (Wide Area Network Distributed Computing) raised $29 million ($24 million for the Company and $5 million for the Founders) in its recent IPO on the London Stock Exchange's Alternative Investment Market (AIM).

WANdisco provides global collaboration software to the software development industry. Organizations with globally distributed software engineering teams have to deal with issues such as network latency and inconsistent availability, restrictions on scalability and security. WANdisco's differentiated, patent-pending technology, the Distributed Coordinated Engine (DConE), provides a cost-effective solution to these problems by changing the way servers interact over a WAN, enabling geographically distributed servers to stay continuously synchronized. The Company has over 200 customers, across a broad range of industries, many of which are household names, such as, Hewlett Packard, Johnson & Johnson, Intel, Lockheed Martin, Sun Microsystems, Barclays, AT&T, Honda, John Deere and Wal-Mart.

The Company was founded in San Ramon, California in 2001 and moved its corporate headquarters to Sheffield, England in 2008, effectively using Northern England as an offshore development center since 78% of the Company's revenues are derived from customers based in the United States. WANdisco has 49 employees, 36 in Sheffield and 13 in San Ramon, with 27 focused on research and software development, 16 engaged in sales and marketing and six attending to financial, administrative and internal systems support. The Company plans to further exploit its existing technology in adjacent customer markets, vertical industries and internationally, with a particular focus on China, Asia more generally, and apply its DConE technology to significant new markets, including the Big Data market.

Key Listing Metrics

- $28.8m gross was raised, $24.0m for the Company and $4.8m for the Founders

- $20.0m, net of offering costs, was raised for the Company intended to be used for:
  - $9.7m – General working capital and potential complementary technology acquisitions
  - 6.0m – Developing an offering, leveraging its core technology, in the Big Data market
  - 2.5m – Expanding the sales force
  - 1.0m – Continuing product development and management
  - 0.8m – Opening an office in China to target the Asian market opportunity

- Offering costs amounted to 16.7% of the gross capital raised for the Company
  - The offering was undertaken on a 'best efforts' basis, as opposed to being underwritten
    - Broking commission of 4.5%
    - Corporate finance fee of £250k ($400k)
  - Three years of financial audits caused the offering costs to be higher than usual

- Opening market capitalization of $59.2m
- Dilution to existing shareholders of 40.5%
- Free float of 57%

- Trailing pre-money and post-money revenue multiples of 9.0 and 15.2, respectively
- Forecasted 2012 revenue growth rate of 46%

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Key Financial Metrics

(in USD millions)	Y/E 12/31/09	Y/E 12/31/10	Y/E 12/31/11	Δ '09 - '10	Δ '10 - '11
Revenue	$2.5	$3.0	$3.9	+20%	+30%
Cost of Goods Sold	0.6	0.6	0.3	+0%	-50%
Operating Expenses	4.0	4.2	4.7	+5%	+12%
Interest Expense	0.1	0.1	0.1	+0%	+0%
Net Income/(Loss)	(2.2)	(1.9)	(1.2)	+14%	+37%
Earnings/(Loss) BITDA	(1.8)	(1.0)	0.1	+44%	+110%
Total Assets	1.8	1.5	2.6	-17%	+73%
Deferred Income	3.4	3.7	4.5	+9%	+22%
Accumulated Deficit	3.3	5.1	6.0	N/A	N/A
Cash and Cash Equivalents	0.5	0.1	0.1	N/A	N/A

The Company's revenues were derived two-thirds from the United States and one-third from Europe during 2009 and 2010; however, there was a dramatic shift during 2011 with 78% from the United States, 17% from Europe and 5% from the rest-of-the-world. Furthermore, the Company's revenues became less concentrated during 2011 with only one customer accounting for more than 10%, at 17%, whereas during 2009 and 2010, two customers accounted for an aggregate of 35%. Since the IPO completed within nine months of the latest audited financial statements, unaudited, comparative stub period financials were not required and the Company chose to not provide updated management accounts, however, the house broker is forecasting 2012 revenue growth of 46%, to $5.7m, EBITDA of $0.6m and a small pre-tax loss.

Shareholder Base

The Company had 12.2 million shares outstanding prior to the IPO and issued 8.3 million shares for cash in the IPO, leaving the Company with 20.5m shares outstanding. The table below details those who held 3% or more of the Company prior to and/or after the IPO, along with the collective ownership of the Other Historic Investors and the Other New U.K. Investors.

Shareholder	Pre-IPO %	Post-IPO %
Founders (Chairman/CEO, COO and Chief Scientist)	83.05	42.10[1,2]
Chief Architect	6.90	3.37[2]
Former CTO	4.55	2.71
Other Historic Investors	5.50	3.26
Director	-	0.54[1]
London Private Client Broker (PCB)	-	5.41
London Institution (Pension and Insurance Funds) and PCB	-	5.41
Global Institution (Various Funds) and PCB	-	5.41
London Institution (Pension and Charity Funds) and PCB	-	3.50
Global Institution (Various Funds) and PCB	-	3.50
London and Edinburgh Institution (Various Funds) and PCB	-	3.50
London Institution (Insurance Funds) and PCB	-	3.50
London PCB (Venture Capital Trust Fund)	-	3.50
Edinburgh-based Global Institution (Various Funds)	-	3.50
Other New U.K. Investors	-	10.79
Totals	100.00	100.00

[1] Subject to a 12-month lock-in and customary orderly market provisions for a further 12 months.
[2] In addition to the dilutive effect of the new capital raised from the IPO, they sold some of their shares and raised $4.8 million, half of which was used to satisfy Promissory Notes issued by the Company as a result of exercising options a few months prior to the IPO, effectively a cashless exercise with a few month delay, and the other half was used to satisfy their personal tax liabilities.

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The Company was closely held by the three Founders and other employees. An interesting element of WANdisco's IPO was its ability to raise 10% of the $28.8 million from tax-advantaged Venture Capital Trust (VCT) and Enterprise Investment Scheme (EIS) investors. In order for a company to be eligible for VCT and EIS investors, it must, amongst other things, create a permanent presence in the U.K., which wasn't an issue for WANdisco since its corporate headquarters is in Sheffield.

Beyond the obvious benefit of creating $4.8 million of immediate liquidity for the Founders and Chief Architect to satisfy the Promissory Notes issued as consideration for the options they exercised, the Company now has an adequate amount of growth capital for product and geographic expansion and a solid base of blue-chip Institutional Investors from which to create additional post-IPO liquidity and raise additional capital, if necessary. In addition, the Company believes that its IPO and public market status on AIM will raise its profile in the sector, providing comfort to existing customers and assisting in securing new customers. Finally, as a public company, WANdisco's Share Option Plans will be more attractive and provide greater incentives to existing and prospective employees and Board members.

Board of Directors and Corporate Governance

The Board of Directors consists of three Executive Directors (two of the three Founders, one acting as Chairman and CEO and the other acting as COO, and the CFO) and two Non-Executive Directors (both NEDs are considered independent); all with solid resumes and a good blend of complementary experiences and skill sets. The Board will meet at least six times per year.

Companies listed on AIM are not required to comply with the U.K. Corporate Governance Code, which is mandatory for companies listed on the Main Market; however, as is typical, the Company intends to follow, to the extent appropriate for its size and nature, the Corporate Governance Guidelines for Smaller Quoted Companies, which are published by the Quoted Companies Alliance. Since the role of Chairman and CEO are held by the same individual, in contravention of the Corporate Governance Guidelines, the NEDs will meet annually to discuss the performance of the Chairman.

The Company has established Audit, Remuneration and Nomination Committees. The Audit and Remuneration Committees are chaired by a NED, with the other NED serving as a member, along with the COO being a member of the Audit Committee and the Chairman and CEO being a member of the Remuneration Committee. The Nomination Committee is chaired by the Chairman and CEO with all of the other Directors being members. The Audit Committee will meet formally at least four times a year and the Remuneration and Nomination Committees are expected to meet not less than two times a year.

Accounting Considerations

Since the Company is domiciled in Jersey, which is one of the two bailiwicks comprising the Channel Islands, a Crown Dependency of the U.K., and the U.K. is a European Economic Area country, the Company is required to report using IFRS. Since all of the Company's revenues are earned in U.S. Dollars, the U.S. Dollar is the functional currency and was also chosen as the reporting currency.

The U.K. Member Firm of an international accountancy network acted as Auditor and Reporting Accountant. Since the audited financials were less than nine months old, unaudited, comparative stub periods were not required and the Company chose to not provide updated management accounts.

An unaudited pro forma statement of net assets is never required and was not provided in this instance since the effect of the net proceeds from the AIM IPO on the net assets of the Company is obvious.

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Legal Considerations

Since the Company is not incorporated in the U.K., but rather in Jersey, which is one of the two bailiwicks comprising the Channel Islands, a Crown Dependency of the U.K., the three most important elements of English corporate law do not automatically apply. As is customary, the Company amended its constitutional documents for these three main differences as outlined below, except for the fact that the U.K.'s City Code on Takeovers and Mergers does automatically apply by virtue of the fact that the Company's 'place of central management and control' is deemed to be in the U.K.

1. Pre-emption rights (i.e. anti-dilution) – Shareholders may participate in, or the Company has to obtain approval from at least 75% of them for, the issuance of shares for cash of more than 10% of the then outstanding shares during any 12-month period.[3]

2. Notifiable Interests – Shareholders are required to notify the Company of, and the Company is required to publicly announce, holdings at or above the 3% level and whenever a full percentage point is breached in either direction.

3. Takeovers (i.e. mandatory offer) – If any party, or parties acting in concert, accumulates a holding of 30% or more, they must make a cash offer to the other shareholders at the highest price they paid for the Company's shares during the last 12 months.

The IPO was not subject to Regulation S of the U.S. Securities Act of 1933; therefore, the shares are eligible for dematerialization and trading within CREST, the most common electronic system for the holding and transfer of shares in the U.K. As such, it was not necessary to appoint a Depository and create Depository Interests, as would be the case for a company domiciled outside the U.K. or one of its Crown Dependencies, the Channel Islands or Isle of Man.

Other

The Company's Nomad did not require the preparation of any Experts' Reports; however, certain information contained in the Admission Document was sourced from Gartner. As far as the Company and Directors are aware and are able to ascertain from the information published by Gartner, no facts have been omitted which would render the reproduced information inaccurate or misleading.

[3] This is the typical level at which AIM-listed companies seek an annual standing authorization from their shareholders for the issuance of additional shares for cash. This flexibility increases the certainty and speed of small capital raises during the year and reduces transaction costs, since further communications with, and approvals from, shareholders are not required.