



# Robotic Process Automation Analysis

Who is the next winner?

Annie Liu  
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# RPA (Robotic Process Automation) Market

## Industry Trend - RPA

- While 2C consumer IoT has become mature, the industrial IoT gradually become the next dominating edge for companies performance improvements. RPA grows its footprint to **change business behaviours** and captures the trend of **data integration + digital business transformation**.
- Since businesses have **expanded goals beyond automations for isolated tasks**, RPA + AI components can deal with broader use cases:
  - process discovery analytics, conversational intelligence,
  - decision management based on machine learning
  - central orchestration, and platform openness

## Market Attractiveness

- Proven technology, proven concept, and proven business after **19 year of development for commercial product launch**. Successful RPA cases include Coca-Cola, ING, P&G, BNY Mellon, Commerzbank, DHL.
- Based on different estimation, **RPA market consensus in 2019 ranged from \$10 to \$13.9 Bn USD**. RPA market is expected to **grow to 22.7 Billion USD with 10.35% CAGR in 2023**. **The market leader will grow over market average of 10% due to high invisible switching cost.**
- Frontier market: **only one publicly traded company (PRSM); need to monitor new challenger for future IPO**
- Main PE/VC/Fund investors in RPA market: CapitalG, Sequoia Capital, Accel, Clydesdale Bank and Yorkshire Bank, SoftBank Vision Fund and Goldman Sachs

## RPA Definition & Deployments



- RPA is a **software robot** that replicates human's repetitive actions in the end-to-end process.



- RPA can be used to automate processes that are repetitive, prone to error, rules based, digital data involved, time critical and seasonal



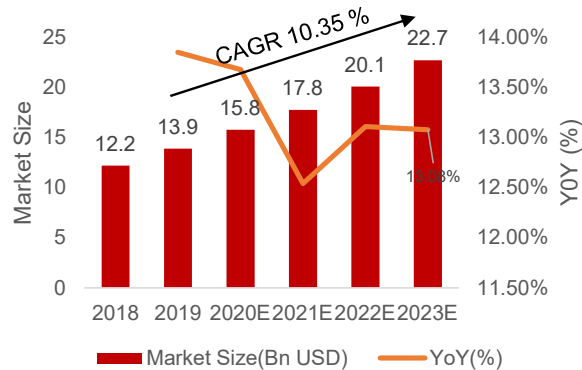
- RPA has effectively bypassed the traditional IT buyer, appealing directly to business users, with its emphasis on resource reduction, easy efficiency and accessibility of the scripting environments.

## RPA Business Potential

- It is believed to adopted in **every industry** as RPA has benefits in
  - accelerate time to value, shorten new automation scheme deployment
  - allow employees to perform higher-value work
  - decreased cycle times and improved throughput
  - flexibility and scalability
  - improved accuracy (reduce human error)
  - improved employee morale
  - allows time to innovate and focus on customer satisfaction
  - detailed data capture
- **Min Yearly Business Cost Saving of \$846Bn USD:** If at least one worker can be replaced by RPA for all US companies(17M businesses as of June 2020), the cost saved will be estimated to **\$846Bn USD every year** (= 17M \*1\* avg salary of \$49,764 =\$846Bn).

# RPA (Robotic Process Automation) Market

## Historical & Projected Global Market (USD Billions)



- The RPA market totaled US\$13.9 Bn in 2019
- Total available market will reach **\$22.7 bn in 2023**, with **10.35% CAGR**

## Core Drivers

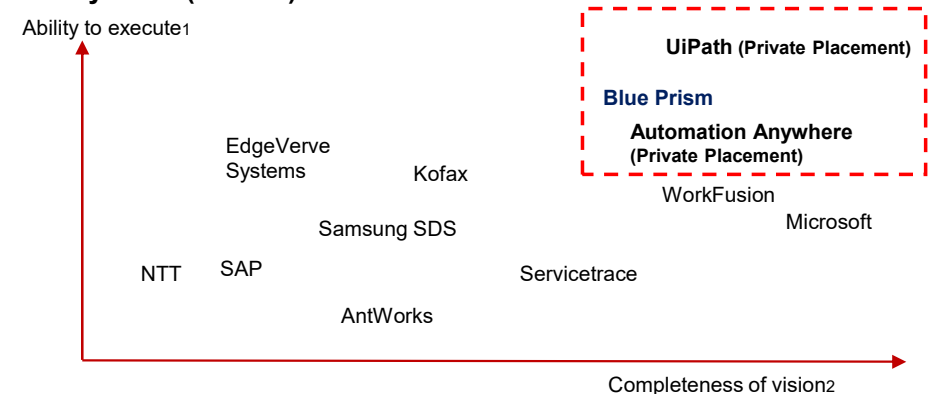
- Machine intelligence: it will extend RPA's hypergrowth. Today's RPA is often a stopgap fix for inefficient processes. Future demand as making unstructured content actionable is a key (handle exceptions, support chatbots to serve customers, and provide text analytics etc)
- 5G: fundamental infrastructure of 5G will boost the size and the speed of data transmission in RPA market
- Customized RPA software: different industry sectors have unique RPA needs. Ability to customize and adopt industry-specific or company-specific features is the key

## RPA Market Constraints

- The hype associated with AI and machine learning is mostly unfounded. None of the current RPA vendors come anywhere near the scope of training data available to hyperscale cloud vendors, such as Amazon and Microsoft
- Organizations must manage a relatively high-maintenance burden
- The related data is not in a format the RPA tool can easily handle
- Comprehensive governance of RPA initiatives is critical, in areas of resource allocation and decision management
- RPA software is customized based on enterprise and industry needs. RPA has to improve from trial-and-error experience, which creates the entry barriers and will further incur invisible switching costs for customers

## Competitive Landscape

- First tier: licensing feature creates market pioneer and economy scale advantages: **Blue Prism(Public)**, **UiPath(Private)** and **Automation Anywhere(Private)**



# Blue Prism (LSE: PRSM ) – The only public company in RPA market

## Business Description

- Business process automation software solutions provider. It operates through the licensing of Robotic Process Automation software used to automate routine, rules-based back office processes.
- The company was founded by Alastair Bathgate and David Moss in 2001 headquartered in Warrington, the United Kingdom.
- **Specialize in Enterprise RPA** and target at **large enterprise companies** with deep resources (learning robots and machine intelligence). **Licence & Support segment stands for 95.6% revenue with regional breakdown of UK23.3%, US 32.5 %, Europe 21.6%**

## Key RPA Features

### • Implementation, Technology and Consulting Partner Ecosystem

Blue Prism's bots and robots empower AI to provide better automation process, complex sentiment analysis and machine learning. The unified management platform for AI and RPA control allows for centralized monitoring and dynamic adjustments (digital workforces on command)

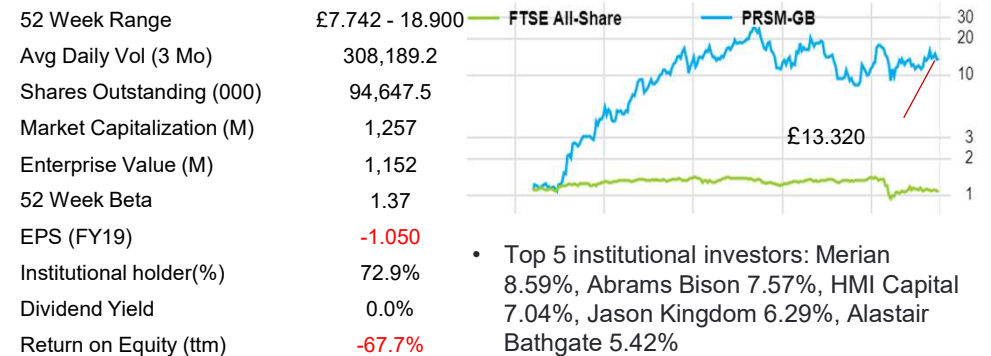
### • Easy-To-Use Software with Compatibility

Blue Prism has friendly feature and interface, allowing beginners to implement it immediately with **on-premise SaaS and cloud deployment**. It also has a feature compatibility integrating Google ML workflow

### • Strong Data Security and Stability

Top-tier security and audit trails with non-repudiation features and supporting documentation

## Market Profile & Return as of 09/29/20 (in GBP)



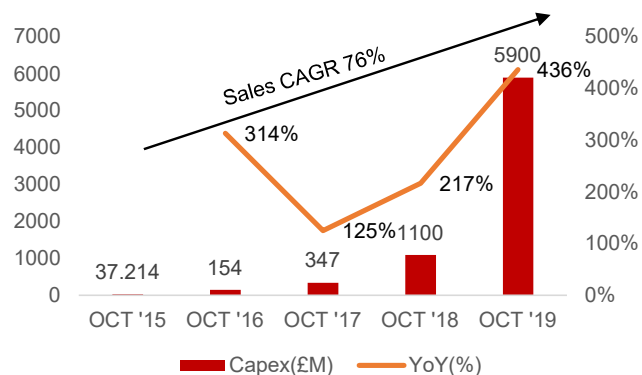
## Blue Prism Core Competencies

- **Strong Vertical focus** : strong verticalization strategy with industry focused experts, campaigns, website navigation and partners. This has resulted in 42 industry solutions, representing at least 10 customers in each of these industries. Customers incl. Aegon, ING, BNY Mellon, P&G
- **Graphical User Interface**: include drag-and-drop interface for building process automations and allow less technical staff create automations
- **AI Commitment** : Blue Prism AI laboratory focusing on computer vision and document interface. Roadmap is to apply AI depth and support more attended, human-involved use cases
- **M&A**: acquired start-up Thoughtonomy – which built a cloud-based AI engine – in July 2019 to further its AI functionality

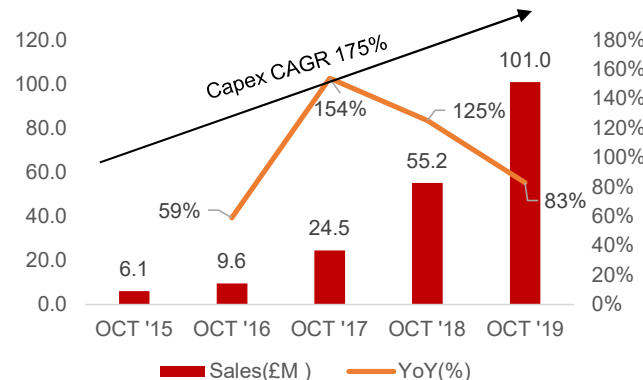


# Blue Prism (LSE: PRSM) – Financial Overview

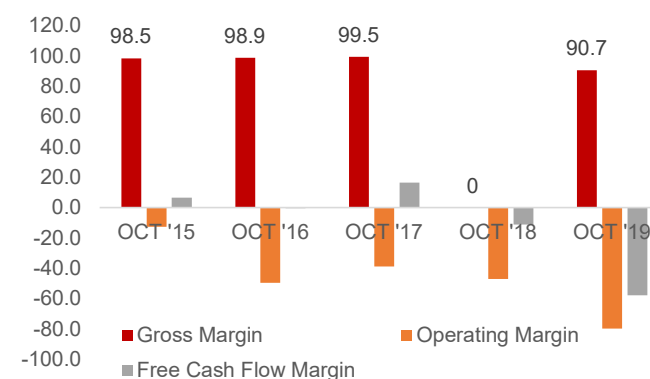
## Revenue



## Capex



## Profitability



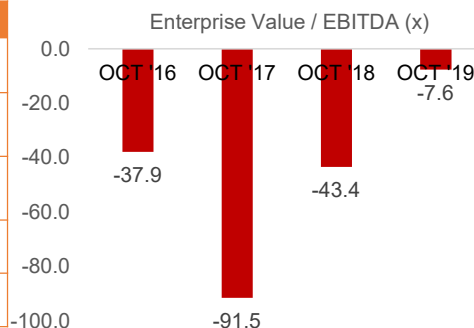
## Customers

	FY2019	FY2018	FY2017	FY2016	FY2015
Total customers	1,864	1,337	988	892	802
New customer wins	255	349	324	96	90
Upsells	635	496	264	81	81

- Increase in upsells and 99.3% retention rates matches RPA licensing nature
- New customers in FY2019 due to expansion in **aviation** sector
- In FY2019, 478 of our customers are in the Forbes Global 2000, implying a large coverage of the enterprise market
- Customers in over 170 countries in more than 1,800 businesses such as KIMBERLY-CLARK, Jaguar Land Rover, S&P Global, Silicon Valley Bank,

## Valuation Highlights

(£M)	FY2019	FY2018
Revenue	101.00	55.20
Exit monthly recurring revenue	10.6	6.2
Recurring licence revenues	96%	94%
Adjusted EBITDA loss <sup>1</sup>	(71.9)	(21.6)
Operating cash flow	(57.9)	(5.4)



- Negative EBITDA: PRSM is at the developing stage with increasing Capex and increasing SG&A expenses
- Incurred extra £50M from £100m fund raising activities in Jan 2019 – to accelerate investment plans

# Investment Theses - Strong Business Model Drives Potential

## Investment Advice

- I give PRSM a **BUY** rating with a **24-month target price** and it is **equally essential to monitor** if 2 major competitors “UiPath and Automation Anywhere” go IPO
- CapitalIQ** gives a BUY rating with **12-month target price of £ 15.30**, representing an **implied upside of 14.9%**
- Factset** gives a BUY rating with **12-month target price of £15.50**, representing an **implied upside of 16.4%**

## Investment Risks

- The main concern is timing around when Blue Prism can reach cash breakeven and generate profits for shareholders. (PRSM is still with net loss and negative free cash flow)
- As Blue Prism is still having net loss, it might need further capital to keep its market leader position
- As of FY2019, around 54% of revenue is from Europe. Geographical concentration will be affected by global political uncertainties, and further incur foreign exchange risks

Impact	High		Capital Requirement	Profit Generation Timeline
	Medium			
	Low	Foreign Exchange Risk	Geographical Concentration	
		Low	Medium	High
		Likelihood		

## Investment Theses

### Quality Growth & Recurring Revenue Model

- Market leadership drives adoption. EBITDA losses widened as PRSM continued to invest in global expansion and future growth.
- Since customers switching costs are high, the recurring licensing revenue models will be sustainable. Continuous improvement on R&D create future profits of software upgrade and maintenance services
- The product's suitability to remote or distributed working has been highlighted by the COVID-19 pandemic and digital transformation, with core features of security, centralised control and shareable objects and process flows becoming even more applicable

### Capex Investments

- A primary growth factor PRSM 's long term growth
- Disciplined capital investment and growth strategy with capex CAGR of 175% from FY2015 to FY2019 for business expansion in Hong Kong, Singapore and Germany and for product expansion incl. Blue Prism Cloud and Connected-RPA Platform

### In-Organic Growth Opportunities

- M&A deal of Thoughtonomy in July 2019 already increased total monthly recurring revenue by £0.7M in FY2019. It is expected to increase revenue and customer base in following years as PRSM will integrate the cloud-based AI with current RPA software
- Strategic upselling and customer expansion from acquisitions