

Osirium Technologies

Product launch

Opus: taking the work out of IT security

Osirium is building on the success of its privileged task automation technology with the launch of a new product, Opus, to provide privileged IT process automation. Opus enables the automation of more complicated processes that require privileged access to multiple systems, and provides for human interaction where choices and exceptions arise. Opus will be sold as a separate module and management expects it to have a growing and material impact on its financial performance.

Year end	Revenue (£m)	EBITDA* (£m)	EPS* (p)	DPS (p)	P/E (x)	EV/sales (x)
12/16**	0.48	(1.14)	(12.4)	0.0	N/A	21.7
12/17	0.65	(1.61)	(18.1)	0.0	N/A	16.0
12/18e	0.92	(2.00)	(18.4)	0.0	N/A	11.3
12/19e	1.41	(1.82)	(17.4)	0.0	N/A	7.4

Note: *EBITDA and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **14-month period ended 31 December 2016.

Opus: Privileged IT process automation solution

Osirium's privilege task automation tool (PTM) has been highlighted by industry analysts as differentiating Osirium from its PAM software competitors. Gartner recently included automation of privileged processes as one of the four pillars required to build a mature PAM practice within a business. Building on the success of its PTM module, Osirium has launched Opus to securely automate privileged IT processes.

Supporting more complex processes; widening addressable market

Opus will enable multiple tasks requiring privileged access to be combined to create secure automated processes. This should improve the efficiency and accuracy of IT operations and free up IT service desks to perform more valuable work. As Opus can access credentials from third-party vault providers, it widens Osirium's addressable market significantly. Management expects Opus will contribute to a growing and material impact on the company's financial performance. We make no changes to estimates, pending results on 8 May.

Valuation: Bookings growth key to upside

As an early-stage company showing revenue growth ahead of its peer group, Osirium is trading at a premium to peers on an EV/sales basis. We have performed a reverse DCF to analyse the assumptions factored into the current share price, using a WACC of 11% and a terminal growth rate of 3%. We estimate that the share price is discounting average annual bookings growth of 23% for FY21–27, break-even EBITDA in FY23, average EBITDA margins of 8.7% for FY21–27 and a terminal EBITDA margin of 35%. In our view, bookings growth will be the key driver of share price performance.

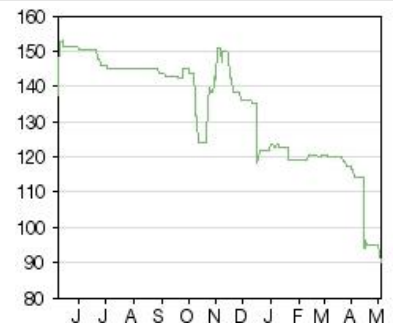
Software & comp services

7 May 2019

Price 95p
Market cap £13m

Net cash (£m) at end FY18	2.3
Shares in issue	13.6m
Free float	92%
Code	OSI
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(21.1)	(24.4)	(32.6)
Rel (local)	(22.2)	(28.0)	(31.2)
52-week high/low		153p	90p

Business description

UK-based Osirium Technologies designs and supplies subscription-based cyber security software. It has four products: privileged access management (PAM), privileged task management, privileged session management and privileged behaviour management.

Next events

FY18 results 8 May 2019

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Launching Opus – securing IT process automation

Building on the foundations of privileged task automation

One of the most innovative modules available on the Osirium PxM platform is PTM – Privileged Task Management. PTM software enables a business to automate frequently performed tasks that require privileged access such as user password resets or switching/closing off firewall ports. This enables companies to delegate the task rather than the privilege, ie the user will be able to perform specific tasks on a device but will not have more general privileged access to the device. We view this as a form of robotic process automation, with the focus on security.

Analysis of the use of task automation by several customers has shown that time savings of up to 98% per task are possible, which has the benefit of freeing up staff to undertake more complex work. By predefining tasks and reducing the amount of user input required, accuracy is greatly increased, which improves both efficiency and security. This is particularly helpful for companies that outsource a high volume of support activity, as it means that third parties do not need to be granted as much privileged access. An MSSP (managed security services provider) can delegate the top 20 or 30 tasks to first-line support, sure in the knowledge the tasks will be performed securely and accurately. As long as the user is authenticated by the Osirium server, the user will then have access to all their individual delegated tasks.

Over the last year, Osirium has invested in developing its task automation technology to provide wider process automation functionality.

Opus – privileged IT process automation

Based on several years' experience in providing privileged task automation technology and customer feedback, Opus provides a significantly more powerful approach to securing privileged process automation. New features and functionality include:

- Automation of wider processes by linking together a series of automated tasks.
- Co-ordination across different systems so that the user does not need to log in to each system separately, eg ServiceNow, Active Directory, Infoblox. It also enables the output from one system to be the input into another system, without human intervention.
- Human guided processes. The system can ask the human operator for input where different options are available, or to deal with exceptions as they arise.
- Ability to access credentials from suppliers other than Osirium. As well as the ability to pull credentials from the PxM platform, Opus can also access credentials held in HashiCorp¹ vaults. Osirium can add access to other vault providers as required.
- Ability to be used with customers' existing tools ("bring your own code") and for tasks to be written in different programming languages. This allows a customer to re-use existing tasks and scripts, but also ensures no credentials are exposed within the tools.
- Provides a full audit trail of all operations, tracking who runs which processes, where and when.
- Use of containerisation to create different layers of security isolation. Opus allows for any API or library to be added to a container (previously only APIs or libraries created by Osirium were available in the PTM module). Older systems may need libraries with known issues and vulnerabilities that would not be allowed on the PxM Platform. With Opus, these can be neatly secured, isolated and controlled for use with only the relevant legacy systems.

¹ HashiCorp is an open-source vault focused on DevOps infrastructure.

- Improved integration with ServiceNow (IT service management (ITSM) software). A process can run without a ServiceNow ticket until the point at which a notable event or exception occurs, at which point a ticket can be raised as part of the task.
- Each task is given a unique URL identifier which can be included in the ITSM ticket.
- Permissions from the PxM platform can be mapped onto Opus.
- Long-running tasks do not have to be completed by the same operator – a task can be started during one operator’s shift and continue into and be completed by an operator on the next shift.

Early adopters of Opus have found that tasks that were complex enough to need second or third level administrators to deal with them can now be delegated to first-line support engineers.

Multiple use cases

The company highlighted a variety of use cases for Opus (see Exhibit 1). While we would expect Opus initially to be of interest to IT operations teams, it is possible that some privileged automated processes could ultimately be delegated to other business departments. For example, HR teams typically request that new joiners are provided with email addresses and added to particular email groups. Opus would allow the IT department to create an automated process to do this, which could be delegated to authorised HR staff and bypass the IT department entirely.

Exhibit 1: Examples of automated processes enabled by Opus		
New starter – developer	Network operations	Reset password
Create account in Active Directory	Update ports	Verify requesting user ID
Create virtual machines for development & test	Create DNS records	Set temporary password in Active Directory
Create development databases	Configure routings, across different hardware vendor platforms	Set "reset next log-in" flag
Create accounts in CI/CD tools		Update ServiceNow ticket
Update HR records		
Source: Osirium		

Widens addressable market

As Opus can operate using credential vaults other than Osirium’s PxM platform, it can be used by customers using PAM software from a different vendor. Osirium has found that within some companies, different PAM software is used for different processes. This gives Osirium the potential to sell into all processes using PAM software rather than just those processes that depend on the PxM platform.

We expect the company to sell Opus as a separate module, which can be licensed on its own or alongside the PxM platform.

Our forecasts are unchanged, pending FY18 results scheduled for 8 May.

Exhibit 2: Financial summary

	£000s	2013	2014	2015	2016	2017	2018e	2019e	2020e
Year end 31 December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue		120.0	207.0	290.2	477.6	647.6	922.6	1,406.7	1,957.9
EBITDA		(366.7)	(327.1)	(377.9)	(1,136.7)	(1,609.4)	(1,995.5)	(1,816.0)	(1,432.6)
Normalised operating profit		(679.4)	(714.3)	(790.7)	(1,725.6)	(2,296.8)	(2,759.0)	(2,775.8)	(2,581.6)
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Share-based payments		0.0	(184.3)	(56.4)	(96.9)	0.0	0.0	0.0	0.0
Reported operating profit		(679.4)	(898.5)	(847.1)	(1,822.5)	(2,296.8)	(2,759.0)	(2,775.8)	(2,581.6)
Net Interest		(35.2)	5.7	(9.9)	9.7	4.2	2.0	1.0	0.0
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		(714.6)	(708.5)	(800.7)	(1,715.9)	(2,292.6)	(2,757.0)	(2,774.8)	(2,581.6)
Profit Before Tax (reported)		(714.6)	(892.8)	(857.1)	(1,812.8)	(2,292.6)	(2,757.0)	(2,774.8)	(2,581.6)
Reported tax		137.7	134.1	121.0	453.3	409.4	413.6	416.2	387.2
Profit After Tax (norm)		(576.9)	(602.1)	(687.6)	(1,286.9)	(1,883.2)	(2,343.5)	(2,358.6)	(2,194.3)
Profit After Tax (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)	(1,883.2)	(2,343.5)	(2,358.6)	(2,194.3)
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Discontinued operations		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net income (normalised)		(576.9)	(602.1)	(687.6)	(1,286.9)	(1,883.2)	(2,343.5)	(2,358.6)	(2,194.3)
Net income (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)	(1,883.2)	(2,343.5)	(2,358.6)	(2,194.3)
Basic average number of shares outstanding (m)		0	1	10	10	10	13	14	14
EPS - normalised (p)		N/A	N/A	(6.61)	(12.38)	(18.12)	(18.38)	(17.42)	(16.21)
EPS - normalised fully diluted (p)		N/A	N/A	(6.61)	(12.38)	(18.12)	(18.38)	(17.42)	(16.21)
EPS - basic reported (p)		(296.36)	(144.92)	(7.08)	(13.08)	(18.12)	(18.38)	(17.42)	(16.21)
Dividend (p)		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		26.3	72.6	40.2	64.6	35.6	42.5	52.5	39.2
EBITDA Margin (%)		-305.7	-158.0	-130.2	-238.0	-248.5	-216.3	-129.1	-73.2
Normalised Operating Margin		-566.3	-345.0	-272.5	-361.3	-354.7	-299.1	-197.3	-131.8
BALANCE SHEET									
Fixed Assets		815.7	805.2	799.7	1,178.8	1,812.1	2,464.9	2,921.4	3,188.8
Intangible Assets		808.6	795.7	793.3	1,134.5	1,731.9	2,358.4	2,788.5	3,029.6
Tangible Assets		7.2	9.5	6.4	44.3	80.2	106.5	132.9	159.2
Investments & other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets		109.3	269.2	428.1	3,953.7	1,646.4	3,161.3	829.8	(1,048.9)
Stocks		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors		77.2	218.6	154.6	380.9	622.6	666.3	801.6	923.7
Cash & cash equivalents		32.2	50.6	273.5	3,572.8	1,023.8	2,494.9	28.1	(1,972.6)
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities		(235.2)	(294.2)	(365.0)	(648.5)	(857.7)	(1,376.0)	(1,859.6)	(2,413.6)
Creditors		(235.2)	(294.2)	(365.0)	(648.5)	(857.7)	(1,376.0)	(1,859.6)	(2,413.6)
Tax and social security		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Short term borrowings		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Long Term Liabilities		(952.5)	(487.6)	(163.3)	0.0	0.0	0.0	0.0	0.0
Long term borrowings		(789.0)	(323.7)	0.0	0.0	0.0	0.0	0.0	0.0
Other long term liabilities		(163.4)	(163.9)	(163.3)	0.0	0.0	0.0	0.0	0.0
Net Assets		(262.6)	292.6	699.5	4,483.9	2,600.8	4,250.2	1,891.6	(273.8)
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		(262.6)	292.6	699.5	4,483.9	2,600.8	4,250.2	1,891.6	(273.8)
CASH FLOW									
Op Cash Flow before WC and tax		(366.7)	(327.1)	(377.9)	(1,136.7)	(1,609.4)	(1,995.5)	(1,816.0)	(1,432.6)
Working capital		66.3	3.8	120.7	226.8	85.5	480.1	351.0	432.0
Exceptional & other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Tax		109.8	48.4	134.6	120.4	291.4	409.4	413.6	416.2
Net operating cash flow		(190.6)	(274.9)	(122.6)	(789.4)	(1,232.5)	(1,106.0)	(1,051.5)	(584.4)
Capex		(412.8)	(376.7)	(407.3)	(968.0)	(1,320.6)	(1,416.3)	(1,416.3)	(1,416.3)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net interest		(35.2)	5.7	(9.9)	9.7	4.2	2.0	1.0	0.0
Equity financing		0.0	639.3	762.8	5,047.1	0.0	3,991.5	0.0	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Cash Flow		(638.6)	(6.5)	222.9	3,299.3	(2,549.0)	1,471.2	(2,466.8)	(2,000.7)
Opening net (cash)/debt		118.3	756.9	273.1	(273.5)	(3,572.8)	(1,023.8)	(2,494.9)	(28.1)
FX		0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other non-cash movements		0.0	490.3	323.8	0.0	0.0	(0.1)	0.0	0.0
Closing net (cash)/debt		756.9	273.1	(273.5)	(3,572.8)	(1,023.8)	(2,494.9)	(28.1)	1,972.6

Source: Osirium, Edison Investment Research

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