

Osirium Technologies

FY19 results

COVID-19 update

Osirium provided an update on trading and the impact of COVID-19 on its business. To date, it has not seen a material effect and customers are continuing to renew their contracts. However, management is aware that new business could take longer to sign up and costs are being managed accordingly. The need for secure IT systems is as relevant as ever, particularly with the current dispersed nature of the workforce; combined with the high level of recurring revenues, this should help Osirium to manage its way through this period of disruption.

Year end	Revenue (£m)	EBITDA* (£m)	EPS* (p)	DPS (p)	P/E (x)	EV/sales (x)
12/17	0.65	(1.61)	(18.1)	0.0	N/A	8.4
12/18	0.96	(1.77)	(18.1)	0.0	N/A	5.7
12/19e	1.15	(2.37)	(19.5)	0.0	N/A	4.7
12/20e	1.88	(2.38)	(16.7)	0.0	N/A	2.9

Note: *EBITDA and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Contract renewals highlight recurring revenues

Osirium has provided a trading update confirming that it has seen little material effect on trading from COVID-19 disruption up to the end of March. In FY19, 100% of contracts due for renewal were renewed and in March 2020, Osirium saw a 12-month renewal from a combined UK police force customer for 1,000 devices (up from the initial 250-device deployment). Also in Q120, the company signed new contracts with a major regional UK ambulance service for five years and a large regional UK NHS trust for three years.

COVID-19: Potential to lengthen sales cycles

With many employees already accustomed to remote working, all Osirium staff are now working remotely, including customer support. Management is conscious that the disruption could make it more difficult to sign new business and is updating its contingency plans accordingly. The company had cash of £2.9m at the end of Q120; it has curtailed non-discretionary spend, including a hiring freeze, and will adjust costs further if need be. With FY19 results due in the next few weeks, we make no changes to our estimates at this point.

Valuation: Bookings the key driver

Osirium is trading at a discount to peers on an EV/Sales basis. As it is an early-stage company several years from profitability, we have performed a reverse DCF to analyse the assumptions factored into the current share price, using a WACC of 10% and a terminal growth rate of 3%. We estimate that the share price is discounting average bookings growth of 21% for FY21–28e, break-even EBITDA in FY24, average EBITDA margins of -9.3% for FY21–28e and a terminal EBITDA margin of 28%. In our view, bookings growth is the key driver of share price performance.

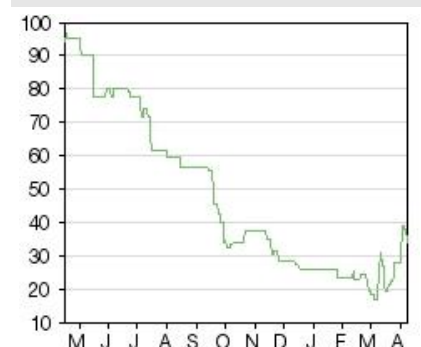
Software & comp services

14 April 2020

Price 33.5p
Market cap £7m

Net cash (£m) at end FY19e	1.1
Shares in issue	19.5m
Free float	91%
Code	OSI
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	100.0	30.8	(70.2)
Rel (local)	129.4	75.1	(61.4)
52-week high/low		114p	17p

Business description

UK-based Osirium Technologies designs and supplies subscription-based cybersecurity software. Its PAM platform includes privileged access, task, session and behaviour management. It recently launched a secure process automation solution (PPA) and a privileged endpoint management (PEM) solution.

Next events

FY19 results	Tbc
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Exhibit 1: Financial summary

	£'000s	2013	2014	2015	2016	2017	2018	2019e	2020e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue		120.0	207.0	290.2	477.6	647.6	957.5	1,149.7	1,882.7
EBITDA		(366.7)	(327.1)	(377.9)	(1,136.7)	(1,609.4)	(1,767.3)	(2,374.4)	(2,375.1)
Normalised operating profit		(679.4)	(714.3)	(790.7)	(1,725.6)	(2,296.8)	(2,674.8)	(3,388.0)	(3,635.9)
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)	(2,674.8)	(3,388.0)	(3,635.9)
Net Interest		(35.2)	5.7	(9.9)	9.7	4.2	(0.6)	(37.7)	(202.5)
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)	(2,675.4)	(3,425.8)	(3,838.4)
Profit Before Tax (reported)		(714.6)	(892.8)	(857.1)	(1,812.8)	(2,292.6)	(2,675.4)	(3,425.8)	(3,838.4)
Reported tax		137.7	134.1	121.0	453.3	409.4	407.6	568.7	575.8
Profit After Tax (norm)		(576.9)	(602.1)	(687.6)	(1,286.9)	(1,883.2)	(2,267.8)	(2,857.1)	(3,262.6)
Profit After Tax (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)	(1,883.2)	(2,267.8)	(2,857.1)	(3,262.6)
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)	(2,267.8)	(2,857.1)	(3,262.6)
Net income (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)	(1,883.2)	(2,267.8)	(2,857.1)	(3,262.6)
Basic average number of shares outstanding (m)		0	1	10	10	10	13	15	19
EPS - normalised (p)		N/A	N/A	(6.61)	(12.38)	(18.12)	(18.14)	(19.49)	(16.74)
EPS - normalised fully diluted (p)		N/A	N/A	(6.61)	(12.38)	(18.12)	(18.14)	(19.49)	(16.74)
EPS - basic reported (p)		(296.36)	(144.92)	(7.08)	(13.08)	(18.12)	(18.14)	(19.49)	(16.74)
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	47.9	20.1	63.8
EBITDA Margin (%)		-305.7	-158.0	-130.2	-238.0	-248.5	-184.6	-206.5	-126.2
Normalised Operating Margin		-566.3	-345.0	-272.5	-361.3	-354.7	-279.4	-294.7	-193.1
BALANCE SHEET									
Fixed Assets		815.7	805.2	799.7	1,178.8	1,812.1	2,360.2	3,021.5	3,490.8
Intangible Assets		808.6	795.7	793.3	1,134.5	1,731.9	2,307.2	2,944.6	3,414.8
Tangible Assets		7.2	9.5	6.4	44.3	80.2	52.9	76.9	75.9
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	3,134.6	4,642.9	1,673.1
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	748.0	786.0	1,027.0
Cash & cash equivalents		32.2	50.6	273.5	3,572.8	1,023.8	2,386.6	3,857.0	646.1
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)	(1,170.3)	(1,859.3)	(2,418.8)
Creditors		(235.2)	(294.2)	(365.0)	(648.5)	(857.7)	(1,170.3)	(1,859.3)	(2,418.8)
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	(2,737.7)	(2,940.2)
Long term borrowings		(789.0)	(323.7)	0.0	0.0	0.0	0.0	(2,737.7)	(2,940.2)
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	4,324.5	3,067.4	(195.2)
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	4,324.5	3,067.4	(195.2)
CASH FLOW									
Op Cash Flow before WC and tax		(366.7)	(327.1)	(377.9)	(1,136.7)	(1,609.4)	(1,767.3)	(2,374.4)	(2,375.1)
Working capital		66.3	3.8	120.7	226.8	85.5	187.2	651.1	318.5
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	407.6	568.7	575.8
Net operating cash flow		(190.6)	(274.9)	(122.6)	(789.4)	(1,232.5)	(1,172.5)	(1,154.6)	(1,480.8)
Capex		(412.8)	(376.7)	(407.3)	(968.0)	(1,320.6)	(1,455.7)	(1,675.0)	(1,730.0)
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	(0.6)	0.0	0.0
Equity financing		0.0	639.3	762.8	5,047.1	0.0	3,991.5	1,600.0	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)	1,362.8	(1,229.6)	(3,210.8)
Opening net (cash)/debt		118.3	756.9	273.1	(273.5)	(3,572.8)	(1,023.8)	(2,386.6)	(1,119.2)
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	(0.0)	(37.7)	(202.5)
Closing net (cash)/debt		756.9	273.1	(273.5)	(3,572.8)	(1,023.8)	(2,386.6)	(1,119.2)	2,294.1

Source: Osirium, Edison Investment Research

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