

# Osirium Technologies

Trading update

## Trimming FY21 expectations

Osirium has signed up many more new customers year-to-date compared with FY20, but lower average contract values mean that bookings and revenue for FY21 are likely to be flat year-on-year. We have revised down our FY21 forecasts accordingly. We continue to expect stronger bookings growth in FY22 supported by a higher level of the contract base due for renewal and the potential to sell more to the large number of customers won in FY21.

Year end	Revenue (£m)	EBITDA* (£m)	EPS* (p)	DPS (p)	P/E (x)	EV/sales (x)
12/19	1.17	(2.15)	(19.5)	0.0	N/A	5.0
12/20	1.43	(1.36)	(12.9)	0.0	N/A	4.1
12/21e	1.44	(1.67)	(11.4)	0.0	N/A	4.1
12/22e	1.64	(1.60)	(10.4)	0.0	N/A	3.5

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

## Slower bookings momentum in H221

Osirium expects to report bookings for FY21 at a similar level to the £1.57m achieved in FY20. We were forecasting 25% bookings growth for FY21 to £1.88m. Osirium has signed up many more new customers this year than last year (customer numbers now are 70% higher than at the end of CY20, implying at least 40 new customers so far this year compared to 16 for FY20), but these have been for smaller contract values and decision times have been longer. Revenue for FY21 is also expected to be at a similar level to FY20 (ie £1.44m versus our forecast of £1.60m). The company expects decision-making to normalise in FY22.

## Revising estimates; still factoring in growth in FY22

Increasing awareness of the security risks inherent in remote working and high-profile ransomware attacks are driving demand for privileged access security software, providing a large addressable market for Osirium's software. The company has seen 97% customer retention by value year-to-date, providing a strong base for its land and expand strategy, and is seeing a growing number of leads from its channel partners. It also has £1.5m of contracts up for renewal in FY22, providing a good bookings base for the year which should be augmented by expansion opportunities and new customer wins. We have revised our forecasts to reflect FY21 guidance and bookings/revenue growth of 28%/14% for FY22. Our EBITDA loss forecasts increase by £158k in FY21 and £259k in FY22.

## Valuation: Bookings growth key to upside

At 4.1x FY21e sales, Osirium is trading at a discount to peers on an EV/sales basis (the UK software sector is trading at 5.4x calendar year sales). As it is an early-stage company several years from profitability, we have performed a reverse discounted cash flow to analyse the assumptions factored into the current share price, using a WACC of 9% and a terminal growth rate of 3%. We estimate the share price is discounting average bookings growth of 25% for FY23–30e, break-even EBITDA in FY26, average EBITDA margins of 4.9% for FY23–30e and a terminal EBITDA margin of 36%.

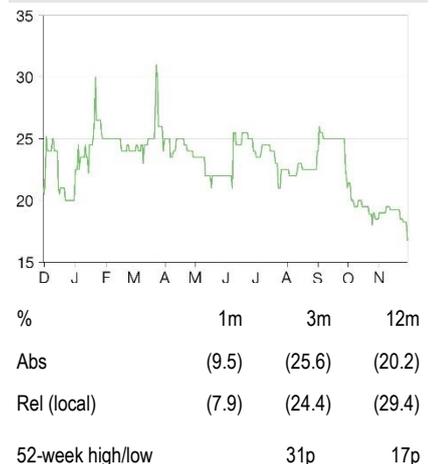
## Software & comp services

30 November 2021

**Price** 16.75p  
**Market cap** £5m

Net debt (£m) at end H121	0.9
Shares in issue	29.4m
Free float	91%
Code	OSI
Primary exchange	AIM
Secondary exchange	N/A

## Share price performance



## Business description

UK-based Osirium Technologies designs and supplies subscription-based cybersecurity software. Its product portfolio includes privileged access management (incorporating privileged access, task, session and behaviour management), secure process automation and privileged endpoint management software.

## Next events

FY21 trading update January 2022

## Analyst

Katherine Thompson +44 (0)20 3077 5730

[tech@edisongroup.com](mailto:tech@edisongroup.com)

[Edison profile page](#)

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## Changes to forecasts

### Exhibit 1: Changes to estimates

£'k	FY21e		Change	y-o-y	FY22e		Change	y-o-y
	Old	New			Old	New		
Bookings	1,880.5	1,568.7	(16.6%)	0.0%	2,350.6	2,007.9	(14.6%)	28.0%
Revenues	1,595.6	1,437.3	(9.9%)	0.2%	1,903.9	1,644.7	(13.6%)	14.4%
EBITDA	(1,509.8)	(1,668.1)	10.5%	22.3%	(1,345.2)	(1,604.4)	19.3%	(3.8%)
EBITDA margin	-94.6%	-116.1%	22.7%		-70.7%	-97.6%	38.1%	
Normalised operating profit	(3,135.6)	(3,293.9)	5.0%	14.7%	(3,131.5)	(3,390.7)	8.3%	2.9%
Normalised operating margin	-196.5%	-229.2%	(32.7%)		-164.5%	-206.2%	(41.7%)	
Reported operating profit	(3,135.6)	(3,293.9)	5.0%	14.7%	(3,131.5)	(3,390.7)	8.3%	2.9%
Reported operating margin	-196.5%	-229.2%	(32.7%)		-164.5%	-206.2%	(41.7%)	
Normalised PBT	(3,346.1)	(3,504.4)	4.7%	13.2%	(3,342.0)	(3,601.2)	7.8%	2.8%
Reported PBT	(3,346.1)	(3,504.4)	4.7%	13.2%	(3,342.0)	(3,601.2)	7.8%	2.8%
Normalised net income	(2,844.2)	(2,978.7)	4.7%	18.9%	(2,840.7)	(3,061.0)	7.8%	2.8%
Reported net income	(2,844.2)	(2,978.7)	4.7%	18.9%	(2,840.7)	(3,061.0)	7.8%	2.8%
Normalised basic EPS (p)	(10.91)	(11.43)	4.7%	(11.1%)	(9.68)	(10.43)	7.8%	(8.7%)
Normalised diluted EPS (p)	(10.91)	(11.43)	4.7%	(11.1%)	(9.68)	(10.43)	7.8%	(8.7%)
Reported basic EPS (p)	(10.91)	(11.43)	4.7%	(11.1%)	(9.68)	(10.43)	7.8%	(8.7%)
Gross cash	454.2	205.0	(54.9%)		147.4	319.2	116.6%	
Net debt/(cash)	2,251.1	2,500.3	11.1%	145.0%	5,060.5	5,588.7	10.4%	123.5%

Source: Edison Investment Research

**Exhibit 2: Financial summary**

	£'k	2016	2017	2018	2019	2020	2021e	2022e
31-December		IFRS						
<b>INCOME STATEMENT</b>								
Revenue		477.6	647.6	957.5	1,171.6	1,434.9	1,437.3	1,644.7
EBITDA		(1,136.7)	(1,609.4)	(1,767.3)	(2,152.1)	(1,363.5)	(1,668.1)	(1,604.4)
Normalised operating profit		(1,725.6)	(2,296.8)	(2,674.8)	(3,399.7)	(2,872.4)	(3,293.9)	(3,390.7)
Amortisation of acquired intangibles		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
Share-based payments		(96.9)	0.0	0.0	0.0	0.0	0.0	0.0
Reported operating profit		(1,822.5)	(2,296.8)	(2,674.8)	(3,399.7)	(2,872.4)	(3,293.9)	(3,390.7)
Net Interest		9.7	4.2	(0.6)	(52.2)	(222.3)	(210.5)	(210.5)
Joint ventures & associates (post tax)		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
Profit Before Tax (norm)		(1,715.9)	(2,292.6)	(2,675.4)	(3,451.9)	(3,094.7)	(3,504.4)	(3,601.2)
Profit Before Tax (reported)		(1,812.8)	(2,292.6)	(2,675.4)	(3,451.9)	(3,094.7)	(3,504.4)	(3,601.2)
Reported tax		453.3	409.4	407.6	622.5	590.2	525.7	540.2
Profit After Tax (norm)		(1,286.9)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,978.7)	(3,061.0)
Profit After Tax (reported)		(1,359.6)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,978.7)	(3,061.0)
Minority interests		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
Net income (normalised)		(1,286.9)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,978.7)	(3,061.0)
Net income (reported)		(1,359.6)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,978.7)	(3,061.0)
Basic average number of shares outstanding (m)		10	10	13	15	19	26	29
EPS - normalised (p)		(12.38)	(18.12)	(18.14)	(19.45)	(12.85)	(11.43)	(10.43)
EPS - normalised fully diluted (p)		(12.38)	(18.12)	(18.14)	(19.45)	(12.85)	(11.43)	(10.43)
EPS - basic reported (p)		(13.08)	(18.12)	(18.14)	(19.45)	(12.85)	(11.43)	(10.43)
Dividend (p)		0.00	0.00	0.00	0.00	0.00	0.00	0.00
Revenue growth (%)		64.6	35.6	47.9	22.4	22.5	0.2	14.4
EBITDA Margin (%)		-238.0	-248.5	-184.6	-183.7	-95.0	-116.1	-97.6
Normalised Operating Margin		-361.3	-354.7	-279.4	-290.2	-200.2	-229.2	-206.2
<b>BALANCE SHEET</b>								
Fixed Assets		1,178.8	1,812.1	2,360.2	3,124.4	3,487.3	3,967.4	4,326.9
Intangible Assets		1,134.5	1,731.9	2,307.2	2,936.5	3,335.5	3,808.3	4,180.5
Tangible Assets		44.3	80.2	52.9	187.9	151.9	159.1	146.4
Investments & other		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets		3,953.7	1,646.4	3,134.6	4,837.3	2,300.8	1,150.9	1,316.2
Stocks		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debtors		380.9	622.6	748.0	982.4	818.4	945.8	997.0
Cash & cash equivalents		3,572.8	1,023.8	2,386.6	3,854.9	1,482.4	205.0	319.2
Other		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Liabilities		(648.5)	(857.7)	(1,170.3)	(1,923.0)	(2,143.7)	(2,314.4)	(2,707.7)
Creditors		(648.5)	(857.7)	(1,170.3)	(1,889.1)	(2,088.7)	(2,284.4)	(2,677.7)
Tax and social security		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
Other		0.0	0.0	0.0	(33.9)	(55.0)	(30.0)	(30.0)
Long Term Liabilities		0.0	0.0	0.0	(2,422.4)	(2,518.6)	(2,731.1)	(5,923.6)
Long term borrowings		0.0	0.0	0.0	(2,345.4)	(2,502.9)	(2,705.4)	(5,907.9)
Other long term liabilities		0.0	0.0	0.0	(77.0)	(15.8)	(25.8)	(15.8)
Net Assets		4,483.9	2,600.8	4,324.5	3,616.3	1,125.8	72.8	(2,988.2)
Minority interests		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Shareholders' equity		4,483.9	2,600.8	4,324.5	3,616.3	1,125.8	72.8	(2,988.2)
<b>CASH FLOW</b>								
Op Cash Flow before WC and tax		(1,136.7)	(1,609.4)	(1,767.3)	(2,152.1)	(1,363.5)	(1,668.1)	(1,604.4)
Working capital		226.8	85.5	187.2	633.7	396.5	68.3	342.2
Exceptional & other		0.0	0.0	0.0	0.0	14.0	0.0	0.0
Tax		120.4	291.4	407.6	473.3	557.3	525.7	540.2
Net operating cash flow		(789.4)	(1,232.5)	(1,172.5)	(1,045.1)	(395.7)	(1,074.1)	(722.1)
Capex		(968.0)	(1,320.6)	(1,455.7)	(1,852.8)	(1,875.1)	(2,065.9)	(2,125.8)
Acquisitions/disposals		0.0	0.0	0.0	0.4	3.3	0.0	0.0
Net interest		9.7	4.2	(0.6)	0.0	(56.5)	(8.0)	(8.0)
Equity financing		5,047.1	0.0	3,991.5	1,726.4	0.0	1,925.7	0.0
Dividends		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	(60.6)	(48.5)	(55.0)	(30.0)
Net Cash Flow		3,299.3	(2,549.0)	1,362.8	(1,231.7)	(2,372.5)	(1,277.3)	(2,885.9)
Opening net (cash)/debt		(273.5)	(3,572.8)	(1,023.8)	(2,386.6)	(1,509.5)	1,020.5	2,500.3
FX		0.0	0.0	0.0	(0.0)	(0.0)	0.0	0.0
Other non-cash movements		0.0	0.0	(0.0)	354.6	(157.4)	(202.5)	(202.5)
Closing net (cash)/debt		(3,572.8)	(1,023.8)	(2,386.6)	(1,509.5)	1,020.5	2,500.3	5,588.7

Source: Osirium, Edison Investment Research

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Frankfurt +49 (0)69 78 8076 960  
Schumannstrasse 34b  
60325 Frankfurt  
Germany

London +44 (0)20 3077 5700  
280 High Holborn  
London, WC1V 7EE  
United Kingdom

New York +1 646 653 7026  
1185 Avenue of the Americas  
3rd Floor, New York, NY 10036  
United States of America

Sydney +61 (0)2 8249 8342  
Level 4, Office 1205  
95 Pitt Street, Sydney  
NSW 2000, Australia