

# Osirium Technologies

FY21 results

## Accelerating bookings

Osirium reported a relatively flat year for bookings and revenue in FY21, although this masks the doubling of the customer base over the year. As customer decision-making returns to pre-pandemic norms, we expect accelerating growth in bookings. The company has made a strong start to the year with record order intake in Q122. We maintain our FY22 forecasts.

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	5.8
12/20	1.43	(1.36)	(12.9)	0.0	N/A	4.8
12/21	1.47	(1.61)	(10.9)	0.0	N/A	4.6
12/22e	1.73	(1.51)	(6.9)	0.0	N/A	4.0

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

## FY21: Customer base doubled

Osirium reported revenue of £1.47m for FY21, 3% higher y-o-y, and bookings of £1.6m, 2% higher y-o-y. As previously flagged, the company more than doubled its customer base in the year, although lower average contract values held back bookings and revenue growth. Partly, this was due to a slowdown in customer decision making due to the pandemic but also because Osirium sold some bespoke packages to NHS trusts that were of lower value. We believe the larger customer base provides good potential for cross-selling and upselling. The EBITDA loss for the year widened to £1.61m, reflecting a return to some of the spending that was cut during the peak of the pandemic in FY20. Osirium closed the year with gross cash of £0.4m and net debt of £2.3m. Post year-end, it raised gross proceeds of £1m from the placing and subscription of 16.7m new shares at 6p per share.

## Reverting to pre-COVID trading in FY22

Trading in Q122 has been much stronger than in the prior year, with record bookings received. Already five deals have been signed that were larger than any deal signed in FY21. The company is seeing customers adopt multiple modules, adding privileged process automation (PPA) or privileged endpoint management (PEM) solutions to the core privileged access management (PAM) software. We maintain our recently upgraded forecasts, which reflect the more positive environment, supported by a higher level of the contract base due for renewal in FY22 and the potential to sell more to the large number of customers won in FY21.

## Valuation: Bookings growth the key trigger

At 4.0x FY22e sales, Osirium is trading at a discount to peers on an EV/sales basis (the UK software sector is trading at 4.3x current year sales). Key to closing this gap will be evidence of sustained bookings momentum translating into revenue growth and progress towards break-even.

## Software & comp services

22 April 2022

**Price** 12p

**Market cap** £6m

Net debt (£m) at end FY21 2.3

Shares in issue 46.0m

Free float 78%

Code OSI

Primary exchange AIM

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs 71.4 0.0 (51.0)

Rel (local) 67.8 (0.5) (54.5)

52-week high/low 26p 5p

## 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

H122 results September 2022

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## Review of FY21 results

### Exhibit 1: FY21 results highlights

£'000s	FY20a	FY21e	FY21a	Diff	y-o-y
<b>Bookings</b>	<b>1,568.7</b>	<b>1,568.7</b>	<b>1,600.0</b>	<b>2.0%</b>	<b>2.0%</b>
<b>Revenues</b>	<b>1,434.9</b>	<b>1,437.3</b>	<b>1,474.5</b>	<b>2.6%</b>	<b>2.8%</b>
<b>EBITDA</b>	<b>(1,363.5)</b>	<b>(1,668.1)</b>	<b>(1,609.3)</b>	<b>(3.5%)</b>	<b>18.0%</b>
EBITDA margin	-95.0%	-116.1%	-109.1%	(6.0%)	
Normalised operating profit	(2,872.4)	(3,293.9)	(3,230.8)	(1.9%)	12.5%
Normalised operating margin	-200.2%	-229.2%	-219.1%	10.1%	
Reported operating profit	(2,872.4)	(3,293.9)	(3,230.8)	(1.9%)	12.5%
Reported operating margin	-200.2%	-229.2%	-219.1%	10.1%	
Normalised PBT	(3,094.7)	(3,504.4)	(3,427.9)	(2.2%)	10.8%
Reported PBT	(3,094.7)	(3,504.4)	(3,427.9)	(2.2%)	10.8%
Normalised net income	(2,504.5)	(2,978.7)	(2,833.3)	(4.9%)	13.1%
Reported net income	(2,504.5)	(2,978.7)	(2,833.3)	(4.9%)	13.1%
Normalised basic EPS (p)	(12.85)	(11.43)	(10.87)	(4.9%)	(15.4%)
Normalised diluted EPS (p)	(12.85)	(11.43)	(10.87)	(4.9%)	(15.4%)
Reported basic EPS (p)	(12.85)	(11.43)	(10.87)	(4.9%)	(15.4%)
<b>Gross cash</b>	<b>1,482.4</b>	<b>205.0</b>	<b>383.9</b>	<b>87.2%</b>	
<b>Net debt/(cash)</b>	<b>1,020.5</b>	<b>2,500.3</b>	<b>2,325.0</b>	<b>(7.0%)</b>	<b>127.8%</b>

Source: Osirium, Edison Investment Research

FY21 revenue was marginally ahead of our forecast, as was bookings intake (the company had provided a trading update in January). The EBITDA loss was smaller than forecast, due to the combination of slightly higher revenue and slightly lower than expected operating expenses. This also flowed through to the normalised operating loss. The company closed the year with gross cash of £384k and net debt of £2,325k. The company reported a tax credit of £595k compared to our £526k forecast. Combined with the smaller EBITDA loss, this resulted in a slightly lower net debt than we expected.

The company capitalised £1.85m in R&D costs (FY20: £1.81m) as it focused on the development of new and enhanced software offerings.

In February, the company raised gross proceeds of £1m and expects to seek further funding in H222.

## Business update

### Expansion of customer base

The company more than doubled its customer base to 105 by the end of FY21. A large proportion of new customers wins came from NHS trusts taking advantage of funding for privileged access security to protect against ransomware, for which Osirium developed a bespoke package. The company also saw and continues to see good demand from the higher education sector. In the commercial sector, the company signed up a London-based law firm, a financial services firm and cross-sold its PPA solutions to an existing PAM customer, which is a UK communications provider.

While average contract sizes during FY21 were lower, this has created a much larger customer base for Osirium to upsell and cross-sell to.

The renewal rate in FY21 was 95.4% by value.

## Product adoption increasing

As well as adopting Osirium's core PAM solution, new customers are increasingly adding PPA as part of a combined purchase and some customers are now taking PPA as a standalone product. The company expects to make similar progress with the more recently developed PEM product.

Product developments during the year include:

- SAML Single Sign-On (SSO) capability: this integrates Osirium solutions with identity providers, making it easier for customers with existing SSO infrastructure to work with Osirium.
- Desktop version of PAM for customers who prefer a local client.
- Third-party database replication to enhance resilience and simplify product upgrades.
- Improvements to PPA, including authentication tools and a simplified process for onboarding users.
- Improvements to PEM, with four software releases during the year.

## International expansion ongoing

Through channel partners, the company saw growth in overseas sales, with first sales in new countries in Europe (Hungary, Ireland, Netherlands, Poland) and new regions including South Africa (to a mobile network operator) and Singapore.

## In-person marketing returning

During the pandemic, Osirium switched to digital marketing as in-person marketing events were cancelled. It intends to maintain its digital marketing activity in parallel with in-person events and trade shows as they resume.

## Outlook

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Earlier in April, the company provided an update on Q122 trading (see [Positive Q1 update](#)), noting that it achieved record bookings and signed up 20 new customers in Q122. It has signed up eight new NHS trusts so far this year.

At this point in the year, we see no need to change our FY22 forecasts, which factor in bookings growth of 50% and revenue growth of 18%. Our end-FY22 net debt forecast reduces from £4.3m to £3.7m, reflecting a normalisation in debtor days outstanding (which were higher than usual at the end of FY21).

**Exhibit 2: Financial summary**

	£'000s	2016	2017	2018	2019	2020	2021	2022e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>								
Revenue		477.6	647.6	957.5	1,171.6	1,434.9	1,474.5	1,734.3
EBITDA		(1,136.7)	(1,609.4)	(1,767.3)	(2,152.1)	(1,363.5)	(1,609.3)	(1,514.8)
Normalised operating profit		(1,725.6)	(2,296.8)	(2,674.8)	(3,399.7)	(2,872.4)	(3,230.8)	(3,301.1)
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)	(3,230.8)	(3,301.1)
Net Interest		9.7	4.2	(0.6)	(52.2)	(222.3)	(197.0)	(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)	(3,427.9)	(3,511.6)
Profit Before Tax (reported)		(1,812.8)	(2,292.6)	(2,675.4)	(3,451.9)	(3,094.7)	(3,427.9)	(3,511.6)
Reported tax		453.3	409.4	407.6	622.5	590.2	594.6	526.7
Profit After Tax (norm)		(1,286.9)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,833.3)	(2,984.9)
Profit After Tax (reported)		(1,359.6)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,833.3)	(2,984.9)
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)	(2,833.3)	(2,984.9)
Net income (reported)		(1,359.6)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,833.3)	(2,984.9)
Basic average number of shares outstanding (m)		10	10	13	15	19	26	43
EPS - normalised (p)		(12.38)	(18.12)	(18.14)	(19.45)	(12.85)	(10.87)	(6.90)
EPS - normalised fully diluted (p)		(12.38)	(18.12)	(18.14)	(19.45)	(12.85)	(10.87)	(6.90)
EPS - basic reported (p)		(13.08)	(18.12)	(18.14)	(19.45)	(12.85)	(10.87)	(6.90)
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	2.8	17.6
EBITDA Margin (%)		-238.0	-248.5	-184.6	-183.7	-95.0	-109.1	-87.3
Normalised Operating Margin		-361.3	-354.7	-279.4	-290.2	-200.2	-219.1	-190.3
<b>BALANCE SHEET</b>								
Fixed Assets		1,178.8	1,812.1	2,360.2	3,124.4	3,487.3	3,649.2	3,923.8
Intangible Assets		1,134.5	1,731.9	2,307.2	2,936.5	3,335.5	3,557.3	3,851.9
Tangible Assets		44.3	80.2	52.9	187.9	151.9	91.9	71.9
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	1,466.1	2,204.5
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	1,082.3	1,022.2
Cash & cash equivalents		3,572.8	1,023.8	2,386.6	3,854.9	1,482.4	383.9	1,182.3
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)	(2,174.2)	(2,878.3)
Creditors		(648.5)	(857.7)	(1,170.3)	(1,889.1)	(2,088.7)	(2,158.5)	(2,852.6)
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)	(15.8)	(25.8)
Long Term Liabilities		0.0	0.0	0.0	(2,422.4)	(2,518.6)	(2,708.9)	(4,911.4)
Long term borrowings		0.0	0.0	0.0	(2,345.4)	(2,502.9)	(2,708.9)	(4,911.4)
Other long-term liabilities		0.0	0.0	0.0	(77.0)	(15.8)	0.0	0.0
Net Assets		4,483.9	2,600.8	4,324.5	3,616.3	1,125.8	232.2	(1,661.5)
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	232.2	(1,661.5)
<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)	(1,609.3)	(1,514.8)
Working capital		226.8	85.5	187.2	633.7	396.5	(191.0)	754.2
Exceptional & other		0.0	0.0	0.0	0.0	14.0	105.0	0.0
Tax		120.4	291.4	407.6	473.3	557.3	591.4	526.7
Net operating cash flow		(789.4)	(1,232.5)	(1,172.5)	(1,045.1)	(395.7)	(1,103.9)	(233.9)
Capex		(968.0)	(1,320.6)	(1,455.7)	(1,852.8)	(1,875.1)	(1,874.6)	(1,929.7)
Acquisitions/disposals		0.0	0.0	0.0	0.4	3.3	0.2	0.0
Net interest		9.7	4.2	(0.6)	0.0	(56.5)	14.7	(8.0)
Equity financing		5,047.1	0.0	3,991.5	1,726.4	0.0	1,925.7	1,000.0
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)	(60.7)	(30.0)
Net Cash Flow		3,299.3	(2,549.0)	1,362.8	(1,231.7)	(2,372.5)	(1,098.5)	(1,201.6)
Opening net (cash)/debt		(273.5)	(3,572.8)	(1,023.8)	(2,386.6)	(1,509.5)	1,020.5	2,325.0
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)	(206.0)	(202.5)
Closing net (cash)/debt		(3,572.8)	(1,023.8)	(2,386.6)	(1,509.5)	1,020.5	2,325.0	3,729.1

Source: Osirium, Edison Investment Research

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