

# Osirium Technologies

Trading update

## Bookings ahead of expectations

Osirium made good progress in signing new business in H2, reporting FY19 bookings 13% ahead of our forecast and 53% higher year-on-year. FY19 revenue is slightly below our forecast due to the timing of multi-year bookings. With the proceeds of the recent fund raise, we expect the company to increase investment in headcount to accelerate growth. We have revised our forecasts to reflect the bookings intake, revenue recognition and higher staff costs.

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	4.1
12/18	0.96	(1.77)	(18.1)	0.0	N/A	2.8
12/19e	1.15	(2.37)	(19.5)	0.0	N/A	2.3
12/20e	1.88	(2.38)	(16.7)	0.0	N/A	1.4

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

## H2 bookings intake ahead of forecast

In its FY19 trading update, Osirium confirmed it expects to report FY19 bookings of at least £1.8m, +53% y-o-y and ahead of our £1.6m forecast. FY19 revenues are expected to be at least £1.1m (our forecast £1.25m) and deferred revenue at least £1.3m (our forecast £1.1m). Osirium signed several three-year contracts towards the end of FY19. While this boosted bookings, it had a minimal impact on H219 revenues and will instead support our revenue forecasts for FY20–22. Gross cash at year-end was £3.8m, reflecting the share placement and convertible issued in October 2019. Osirium launched its privileged endpoint management solution at the end of 2019, increasing its addressable market as well as providing cross-sell potential.

## Factoring in bookings and investment of proceeds

We have revised our forecasts to reflect stronger-than-expected bookings and slightly lower revenues in H219. We have also assumed the company will increase the pace of investment in the business now it has access to the proceeds raised in H219. We have adjusted our FY19 forecast to reflect slightly lower than expected revenue (EBITDA loss from £2.17m to £2.37m). In FY20 higher bookings combined with higher employee costs result in an increase in our EBITDA loss forecast from £1.88m to £2.38m. We forecast cash of £0.6m by the end of FY20.

## Valuation: Bookings growth the key metric

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 11% and a terminal growth rate of 3%. We estimate the share price is discounting average bookings growth of 23% for FY21–28, break-even EBITDA in FY24, average EBITDA margins of -5.9% for FY21–28 and a terminal EBITDA margin of 30%. In our view, bookings growth is the key driver of share price performance.

## Software & comp services

14 January 2020

**Price** 26p

**Market cap** £5m

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	(5.5)	(23.5)	(78.8)
Rel (local)	(8.4)	(27.8)	(80.9)

52-week high/low 122.5p 26.0p

## 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 March 2020

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## Changes to forecasts

Exhibit 1: Changes to estimates								
£'k	FY19e				FY20e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y
Bookings	1,601.1	1,801.3	12.5%	53.0%	2,161.5	2,341.6	8.3%	30.0%
Revenues	1,251.0	1,149.7	(8.1%)	20.1%	1,819.3	1,882.7	3.5%	63.8%
EBITDA	(2,165.5)	(2,374.4)	9.6%	34.4%	(1,879.8)	(2,375.1)	26.3%	0.0%
EBITDA margin	-173.1%	-206.5%	19.3%		-103.3%	-126.2%	22.1%	
Normalised operating profit	(3,179.2)	(3,388.0)	6.6%	26.7%	(3,140.6)	(3,635.9)	15.8%	7.3%
Normalised operating profit margin	-254.1%	-294.7%	(40.6%)		-172.6%	-193.1%	(20.5%)	
Reported operating profit	(3,179.2)	(3,388.0)	6.6%	26.7%	(3,140.6)	(3,635.9)	15.8%	7.3%
Reported operating margin	-254.1%	-294.7%	(40.6%)		-172.6%	-193.1%	(20.5%)	
Normalised PBT	(3,216.9)	(3,425.8)	6.5%	28.0%	(3,343.1)	(3,838.4)	14.8%	12.0%
Reported PBT	(3,216.9)	(3,425.8)	6.5%	28.0%	(3,343.1)	(3,838.4)	14.8%	12.0%
Normalised net income	(2,682.9)	(2,857.1)	6.5%	26.0%	(2,841.6)	(3,262.6)	14.8%	14.2%
Reported net income	(2,682.9)	(2,857.1)	6.5%	26.0%	(2,841.6)	(3,262.6)	14.8%	14.2%
Normalised basic EPS (p)	(18.30)	(19.49)	6.5%	7.4%	(14.58)	(16.74)	14.8%	(14.1%)
Normalised diluted EPS (p)	(18.30)	(19.49)	6.5%	7.4%	(14.58)	(16.74)	14.8%	(14.1%)
Reported basic EPS (p)	(18.30)	(19.49)	6.5%	7.4%	(14.58)	(16.74)	14.8%	(14.1%)
Gross cash	3,775.2	3,857.0	2.2%		868.6	646.1	(25.6%)	
Net debt/(cash)	(1,075.2)	(1,119.2)	7.9%	(53.1%)	1831.4	2,294.1	10.7%	(305.0%)

Source: Edison Investment Research

**Exhibit 2: Financial summary**

	£'k	2013	2014	2015	2016	2017	2018	2019e	2020e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
<b>INCOME STATEMENT</b>									
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
<b>BALANCE SHEET</b>									
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)
<b>CASH FLOW</b>									
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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