

# Osirium Technologies

Trading update

## H2 order intake stronger than expected

Osirium has announced a new customer in the telecoms sector, won in collaboration with partner Infradata. The three-year contract uses the full privileged access management (PAM) suite, including Osirium's unique workflow automation technology. The company has also confirmed that bookings for FY20 are likely to be ahead of consensus expectations. We maintain our forecasts pending the year-end trading update in January, when the scale of bookings upside will be clearer.

Year end	Revenue (£m)	EBITDA* (£m)	EPS* (p)	DPS (p)	P/E (x)	EV/sales (x)
12/18	0.96	(1.77)	(18.1)	0.0	N/A	2.6
12/19	1.17	(2.15)	(19.5)	0.0	N/A	2.1
12/20e	1.40	(1.94)	(16.0)	0.0	N/A	1.8
12/21e	1.68	(1.82)	(16.5)	0.0	N/A	1.5

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

## Competitive win in telecoms sector

Osirium has signed a three-year licence with a UK provider of telephone, broadband and mobile services. The customer will make use of Osirium's PAM, privileged task management and privileged session management modules as well as consultancy and training. Osirium worked with partner Infradata to win the bid against a number of other PAM vendors.

## Orders running ahead

Osirium expects to report bookings ahead of consensus forecasts for FY20. The company saw a bookings decline in H120, as lockdown made it harder to sign new business in Q2, but since Q3 there has been recovery in demand, with a number of new customers signed up across various sectors and countries. With a month of Q420 still to go, we maintain our forecasts and will seek further clarity on the bookings position when Osirium provides a trading update in January.

## 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 the current share price is discounting average bookings growth of 24% for FY22–29e, break-even EBITDA in FY25, average EBITDA margins of -3.7% for FY22–29e and a terminal EBITDA margin of 37.2%.

## Software & comp services

2 December 2020

**Price** **20.5p**
**Market cap** **£4m**

Net debt (£m) at end H120 0.3

Shares in issue 19.5m

Free float 91%

Code OSI

Primary exchange AIM

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs 5.1 (10.9) (28.1)

Rel (local) (7.4) (18.8) (19.7)

52-week high/low 39.0p 17.0p

## Business description

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

## Next events

FY20 trading update January 2021

## Analyst

Katherine Thompson +44 (0)20 3077 5730

[tech@edisongroup.com](mailto:tech@edisongroup.com)
[Edison profile page](#)

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**Exhibit 1: Financial summary**

	£'k	2013	2014	2015	2016	2017	2018	2019	2020e	2021e
31-December		IFRS	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	1,171.6	1,399.2	1,676.2
EBITDA		(366.7)	(327.1)	(377.9)	(1,136.7)	(1,609.4)	(1,767.3)	(2,152.1)	(1,914.0)	(1,824.3)
Normalised operating profit		(679.4)	(714.3)	(790.7)	(1,725.6)	(2,296.8)	(2,674.8)	(3,399.7)	(3,459.2)	(3,588.3)
Amortisation of acquired intangibles		0.0	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	0.0
Share-based payments		0.0	(184.3)	(56.4)	(96.9)	0.0	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)	(3,399.7)	(3,459.2)	(3,588.3)
Net Interest		(35.2)	5.7	(9.9)	9.7	4.2	(0.6)	(52.2)	(204.6)	(204.6)
Joint ventures & associates (post tax)		0.0	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	0.0
Profit Before Tax (norm)		(714.6)	(708.5)	(800.7)	(1,715.9)	(2,292.6)	(2,675.4)	(3,451.9)	(3,663.8)	(3,792.9)
Profit Before Tax (reported)		(714.6)	(892.8)	(857.1)	(1,812.8)	(2,292.6)	(2,675.4)	(3,451.9)	(3,663.8)	(3,792.9)
Reported tax		137.7	134.1	121.0	453.3	409.4	407.6	622.5	549.6	568.9
Profit After Tax (norm)		(576.9)	(602.1)	(687.6)	(1,286.9)	(1,883.2)	(2,267.8)	(2,829.4)	(3,114.2)	(3,224.0)
Profit After Tax (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)	(1,883.2)	(2,267.8)	(2,829.4)	(3,114.2)	(3,224.0)
Minority interests		0.0	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	0.0
Net income (normalised)		(576.9)	(602.1)	(687.6)	(1,286.9)	(1,883.2)	(2,267.8)	(2,829.4)	(3,114.2)	(3,224.0)
Net income (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)	(1,883.2)	(2,267.8)	(2,829.4)	(3,114.2)	(3,224.0)
Basic ave. number of shares outstanding (m)		0	1	10	10	10	13	15	19	19
EPS - normalised (p)		N/A	N/A	(6.61)	(12.38)	(18.12)	(18.14)	(19.45)	(15.97)	(16.54)
EPS - normalised fully diluted (p)		N/A	N/A	(6.61)	(12.38)	(18.12)	(18.14)	(19.45)	(15.97)	(16.54)
EPS - basic reported (p)		(296.36)	(144.92)	(7.08)	(13.08)	(18.12)	(18.14)	(19.45)	(15.97)	(16.54)
Dividend (p)		0.00	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	22.4	19.4	19.8
EBITDA Margin (%)		-305.7	-158.0	-130.2	-238.0	-248.5	-184.6	-183.7	-136.8	-108.8
Normalised Operating Margin		-566.3	-345.0	-272.5	-361.3	-354.7	-279.4	-290.2	-247.2	-214.1
<b>BALANCE SHEET</b>										
Fixed Assets		815.7	805.2	799.7	1,178.8	1,812.1	2,360.2	3,124.4	3,440.8	3,629.8
Intangible Assets		808.6	795.7	793.3	1,134.5	1,731.9	2,307.2	2,936.5	3,321.3	3,578.7
Tangible Assets		7.2	9.5	6.4	44.3	80.2	52.9	187.9	119.5	51.0
Investments & other		0.0	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	4,837.3	1,707.5	1,852.4
Stocks		0.0	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	982.4	1,056.8	1,155.5
Cash & cash equivalents		32.2	50.6	273.5	3,572.8	1,023.8	2,386.6	3,854.9	650.7	697.0
Other		0.0	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)	(1,923.0)	(2,055.3)	(2,444.5)
Creditors		(235.2)	(294.2)	(365.0)	(648.5)	(857.7)	(1,170.3)	(1,889.1)	(2,021.4)	(2,410.6)
Tax and social security		0.0	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	0.0
Other		0.0	0.0	0.0	0.0	0.0	0.0	(33.9)	(33.9)	(33.9)
Long Term Liabilities		(952.5)	(487.6)	(163.3)	0.0	0.0	0.0	(2,422.4)	(2,591.0)	(5,759.5)
Long term borrowings		(789.0)	(323.7)	0.0	0.0	0.0	0.0	(2,345.4)	(2,547.9)	(5,750.4)
Other long term liabilities		(163.4)	(163.9)	(163.3)	0.0	0.0	0.0	(77.0)	(43.1)	(9.1)
Net Assets		(262.6)	292.6	699.5	4,483.9	2,600.8	4,324.5	3,616.3	502.0	(2,721.9)
Minority interests		0.0	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	3,616.3	502.0	(2,721.9)
<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)	(2,152.1)	(1,914.0)	(1,824.3)
Working capital		66.3	3.8	120.7	226.8	85.5	187.2	633.7	57.8	290.6
Exceptional & other		0.0	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	473.3	549.6	568.9
Net operating cash flow		(190.6)	(274.9)	(122.6)	(789.4)	(1,232.5)	(1,172.5)	(1,045.1)	(1,306.6)	(964.8)
Capex		(412.8)	(376.7)	(407.3)	(968.0)	(1,320.6)	(1,455.7)	(1,852.8)	(1,861.6)	(1,952.9)
Acquisitions/disposals		0.0	0.0	0.0	0.0	0.0	0.0	0.4	0.0	0.0
Net interest		(35.2)	5.7	(9.9)	9.7	4.2	(0.6)	0.0	0.0	0.0
Equity financing		0.0	639.3	762.8	5,047.1	0.0	3,991.5	1,726.4	0.0	0.0
Dividends		0.0	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	(60.6)	(36.0)	(36.0)
Net Cash Flow		(638.6)	(6.5)	222.9	3,299.3	(2,549.0)	1,362.8	(1,231.7)	(3,204.2)	(2,953.7)
Opening net (cash)/debt		118.3	756.9	273.1	(273.5)	(3,572.8)	(1,023.8)	(2,386.6)	(1,509.5)	1,897.2
FX		0.0	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)	354.6	(202.5)	(202.5)
Closing net (cash)/debt		756.9	273.1	(273.5)	(3,572.8)	(1,023.8)	(2,386.6)	(1,509.5)	1,897.2	5,053.5

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