

Osirium Technologies

H117 results

Positive bookings momentum

Osirium reported strong growth in bookings in H117, signing up eight new blue-chip customers and renewing and expanding contracts with six existing customers. The company's strategy to access the mid-market via the channel is well underway and should start to materially contribute to bookings from early next year. The cost base reflects recent investment in sales and marketing and R&D; with the core teams now in place the company is in a position to drive growth in both the enterprise and mid-market.

Year end	Revenue (£000s)	Bookings (£000s)	PBT* (£000s)	EPS (p)	DPS (p)	P/E (x)
10/13	120.0	143.9	(714.6)	N/A	0.0	N/A
10/14	207.0	239.3	(708.5)	N/A	0.0	N/A
10/15	290.2	267.7	(800.7)	(6.6)	0.0	N/A
12/16**	477.6	540.8	(1,715.9)	(12.4)	0.0	N/A

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **14-month period.

H1 results reflect customer acquisition & investment

Osirium reported a 59% y-o-y increase in revenues in H117 to £261.6k, with a 29% increase in SaaS revenues, and professional services revenues increasing to £54.2k from £4.0k in H116. Bookings saw a substantial increase y-o-y, from £90k in H116 to £454k in H117, resulting in deferred income increasing to £460k by the end of H117. The cost base reflects recent investment in R&D and sales and marketing, resulting in an operating loss of £1.3m. The company used £1.6m in cash during H117 to end the period with a cash balance of £2.0m.

Expanding the customer base

Osirium signed up eight blue chip customers in H117 and renewed and/or expanded contracts with six existing customers. To support retention and upselling, the company is refining its post-sales process. Since the beginning of the year, the company has signed up distributors in the UK, the DACH region, Middle East and North Africa (MENA) and Asia Pacific as part of its strategy to target the mid-market. While current bookings have primarily been driven by direct sales, we expect the distributors to start to contribute material bookings from H118. The market environment for PAM software remains strong, with data breaches continuing to make the headlines and GDPR regulations coming into force in H118.

Tracking progress

With its product developed and investment made in direct sales and the channel, the company is now accelerating commercial roll-out. At this early stage in the business's progress, we are not in a position to initiate forecasts. Instead, key performance indicators to track the progress of the strategy include revenues, bookings, new channel partners signed up, new customers, customer renewals/upsells, proofs of concept and software evaluations installed.

Software & comp services

3 October 2017

Price 141p
Market cap £15m

Net cash (£m) at end H117	2.0
Shares in issue	10.4m
Free float	85%
Code	OSI
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(1.1)	44.6	(27.7)
Rel (local)	(1.2)	42.7	(32.6)
52-week high/low		195p	93p

Business description

UK-based Osirium Technologies designs and supplies subscription-based cyber security software. It has four products: privileged access management (PAM), privileged task management (PTM), privileged session management (PSM) and privileged behaviour management (PBM).

Next events

FY17 trading update	January 2018
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Review of H117 results

Exhibit 1: Half-year highlights

£k	H116*	H117	y-o-y
Bookings	90.4	445.2	393%
Deferred income	N/A	459.6	N/A
SaaS revenues	160.5	207.4	29%
Professional services revenues	4.0	54.2	1254%
Total revenues	164.5	261.6	59%
Operating expenses	(390.4)	(1,168.5)	199%
EBITDA	(225.9)	(906.9)	301%
Depreciation & amortisation	(251.0)	(277.4)	11%
Normalised operating profit	(476.9)	(1,184.3)	148%
Share-based payments	(41.5)	(160.0)	286%
Reported operating profit	(518.4)	(1,344.3)	159%
Net interest income	3.1	2.4	(23%)
Normalised PBT	(473.8)	(1,181.9)	149%
PBT	(515.3)	(1,341.9)	160%
Tax	163.3	175.0	7%
Reported net income	(352.0)	(1,166.9)	232%
EPS - basic & diluted (p)	(3)	(11)	267%
Net cash	4,518.2	2,015.9	(55%)

Source: Osirium, Edison Investment Research. Note: *Previously announced results for H116 were for the period 1 November 2015 to 30 April 2016; now that the year-end has changed to 31 December, the company has reported comparative results for the period 1 January 2016 to 30 June 2016.

Osirium reported revenue growth of 59% y-o-y in H117. This breaks down as 29% growth in SaaS revenues and 1254% growth in professional services revenues. The company received bookings¹ of £445.2k in the period, up from £90.4k in H116 and compared to £540.8k for the 14 months ended 31 December. This equates to a monthly bookings run rate of £74.2k in H117 compared to £15.1k in H116 and £41.9k for the eight months ended 31 December 2016. Deferred income has increased significantly since the end of FY16 (+67%), reflecting the high level of bookings received in H117 yet to be recognised.

The operating cost base has increased significantly, reflecting the near doubling in headcount since H116. We believe that the pace of hiring has slowed and while the cost base is likely to be higher in H217, it should show a much smaller sequential increase.

The company ended H117 with a cash position of £2.0m, down from £3.6m at the end of FY16. Management estimates that cash burn is running at c £250k per month, which will be partially offset by an R&D tax credit worth £290k received in September. This implies the company has sufficient cash to take it into H118.

Business update

Customer numbers growing; renewals on track

The company signed eight new blue chip customers in H117, across a variety of end markets. The company also signed six upsell and renewal contracts. The large global asset manager that originally signed up in H216 has been invoiced for the second year of its three year contract and has expanded its license to incorporate additional devices. It has also signed up for consultancy services for another year.

¹ Invoiced sales during the period; includes the value of multi-year contracts



Channel strategy in progress

In order to service the mid-market, the company has concentrated on building out a distribution network since the beginning of the year. Business development directors were hired in Germany, MENA, and Asia Pacific and distributors signed up in those regions. Management does not expect to see a material inflow of bookings from distributors before H118, although thinks it likely that some deals will be signed in MENA by the end of this year.

R&D to enhance existing solutions

The company capitalised £545k of development costs in H117, up from £392k in H116 and £915k for the 14 months ended 31 December. It expects to capitalise a higher amount in H217. The next version of the Privileged Behaviour Management module is due for release imminently, with better user interface and analytics. The software is delivered as a virtualised appliance, which to date the majority of customers have deployed on their own hardware. However, there is increasing demand from customers for cloud delivery of the software, so it is now available on Azure and the company is working to also make it available on AWS (Amazon Web Services).

Exhibit 2: Financial summary

	£'000s	2013	2014	2015	2016
31-December		IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT					
Revenue		120.0	207.0	290.2	477.6
EBITDA		(366.7)	(327.1)	(377.9)	(1,136.7)
Normalised operating profit		(679.4)	(714.3)	(790.7)	(1,725.6)
Amortisation of acquired intangibles		0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0
Share-based payments		0.0	(184.3)	(56.4)	(96.9)
Reported operating profit		(679.4)	(898.5)	(847.1)	(1,822.5)
Net Interest		(35.2)	5.7	(9.9)	9.7
Joint ventures & associates (post tax)		0.0	0.0	0.0	0.0
Exceptionals		0.0	0.0	0.0	0.0
Profit Before Tax (norm)		(714.6)	(708.5)	(800.7)	(1,715.9)
Profit Before Tax (reported)		(714.6)	(892.8)	(857.1)	(1,812.8)
Reported tax		137.7	134.1	121.0	453.3
Profit After Tax (norm)		(576.9)	(602.1)	(687.6)	(1,286.9)
Profit After Tax (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)
Minority interests		0.0	0.0	0.0	0.0
Discontinued operations		0.0	0.0	0.0	0.0
Net income (normalised)		(576.9)	(602.1)	(687.6)	(1,286.9)
Net income (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)
Basic average number of shares outstanding (m)		0	1	10	10
EPS - normalised (p)		N/A	N/A	(6.61)	(12.38)
EPS - normalised fully diluted (p)		N/A	N/A	(6.61)	(12.38)
EPS - basic reported (p)		(296.36)	(144.92)	(7.08)	(13.08)
Dividend (p)		0.00	0.00	0.00	0.00
Revenue growth (%)		26.3	72.6	40.2	64.6
EBITDA Margin (%)		N/A	N/A	N/A	N/A
Normalised Operating Margin		N/A	N/A	N/A	N/A
BALANCE SHEET					
Fixed Assets		815.7	805.2	799.7	1,178.8
Intangible Assets		808.6	795.7	793.3	1,134.5
Tangible Assets		7.2	9.5	6.4	44.3
Investments & other		0.0	0.0	0.0	0.0
Current Assets		109.3	269.2	428.1	3,953.7
Stocks		0.0	0.0	0.0	0.0
Debtors		77.2	218.6	154.6	380.9
Cash & cash equivalents		32.2	50.6	273.5	3,572.8
Other		0.0	0.0	0.0	0.0
Current Liabilities		(235.2)	(294.2)	(365.0)	(648.5)
Creditors		(235.2)	(294.2)	(365.0)	(648.5)
Tax and social security		0.0	0.0	0.0	0.0
Short term borrowings		0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0
Long Term Liabilities		(952.5)	(487.6)	(163.3)	0.0
Long term borrowings		(789.0)	(323.7)	0.0	0.0
Other long term liabilities		(163.4)	(163.9)	(163.3)	0.0
Net Assets		(262.6)	292.6	699.5	4,483.9
Minority interests		0.0	0.0	0.0	0.0
Shareholders' equity		(262.6)	292.6	699.5	4,483.9
CASH FLOW					
Op Cash Flow before WC and tax		(366.7)	(327.1)	(377.9)	(1,136.7)
Working capital		66.3	3.8	120.7	226.8
Exceptional & other		0.0	0.0	0.0	0.0
Tax		109.8	48.4	134.6	120.4
Net operating cash flow		(190.6)	(274.9)	(122.6)	(789.4)
Capex		(412.8)	(376.7)	(407.3)	(968.0)
Acquisitions/disposals		0.0	0.0	0.0	0.0
Net interest		(35.2)	5.7	(9.9)	9.7
Equity financing		0.0	639.3	762.8	5,047.1
Dividends		0.0	0.0	0.0	0.0
Other		0.0	0.0	0.0	0.0
Net Cash Flow		(638.6)	(6.5)	222.9	3,299.3
Opening net (cash)/debt		118.3	756.9	273.1	(273.5)
FX		0.0	0.0	0.0	0.0
Other non-cash movements		0.0	490.3	323.8	0.0
Closing net (cash)/debt		756.9	273.1	(273.5)	(3,572.8)

Source: Osirium Technologies

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