

Osirium Technologies

Trading update

FY18 growth confirmed

Osirium traded in line with management expectations in H218 and expects to report close to 50% growth in revenues for FY18. The company has signed up customers in new verticals during the year, highlighting the diversity of customer use cases. The growing number of proofs of concept and rate of conversion to sales provides support to our bookings and revenue forecasts.

Year end	Revenue (£m)	EBITDA* (£m)	EPS* (p)	DPS (p)	P/E (x)	EV/Sales (x)
12/16**	0.48	(1.14)	(12.4)	0.0	N/A	32.6
12/17	0.65	(1.61)	(18.1)	0.0	N/A	24.1
12/18e	0.92	(2.00)	(18.4)	0.0	N/A	16.9
12/19e	1.41	(1.82)	(17.4)	0.0	N/A	11.1

Note: *EBITDA and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments. **14-month period ended 31 December 2016.

FY18 revenues in line with expectations

Osirium expects to report FY18 revenues of at least £0.95m, slightly ahead of our £0.92m forecast and equating to year-on-year growth of 47%. Booking are expected to be significantly ahead of the prior period (our forecast +50% y-o-y). Net cash at the end of FY18 was £2.3m, slightly below our £2.5m forecast. The company noted that the rate of conversion from proof of concept (POC) to sale has increased, and at the start of 2019, had more POCs scheduled for Q1 than occurred for the whole of 2018. We maintain our estimates pending FY18 results in March.

Recent contracts highlight diverse customer base

Osirium has recently announced two contract wins: one for an international financial services provider to secure 400 devices over 39 months and the other for a multinational oil and gas company to secure 400 devices over three years. The company has also signed up a new financial services customer in the Middle East and signed contracts with customers in new verticals including utilities and drinks manufacturing. In December, Gartner issued its first Magic Quadrant for privileged access management (PAM) software – Osirium was one of 14 providers included, and its task automation capabilities were highlighted as best in class.

Valuation: Bookings growth key to upside

As an early-stage company showing revenue growth ahead of its peer group, Osirium is trading at a premium to peers on an EV/sales basis. 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 that the share price is discounting average annual bookings growth of 24% for FY21–27, break-even EBITDA in FY23, average EBITDA margins of 12.8% for FY21–27 and a terminal EBITDA margin of 36.5%. In our view, bookings growth will be the key driver of share price performance.

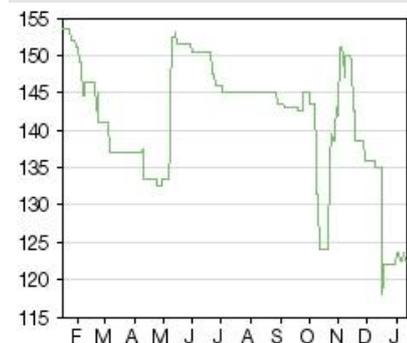
Software & comp services

14 January 2019

Price **122.5p**
Market cap **£17m**

Net cash (£m) at end FY18	2.3
Shares in issue	13.6m
Free float	92%
Code	OSI
Primary exchange	AIM
Secondary exchange	N/A

Share price performance



%	1m	3m	12m
Abs	(9.3)	(5.8)	(20.2)
Rel (local)	(11.2)	(4.5)	(10.5)
52-week high/low		153.5p	118.0p

Business description

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

Next event

FY18 results March 2019

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Exhibit 1: Financial summary

	£'k	2013	2014	2015	2016	2017	2018e	2019e	2020e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT									
Revenue		120.0	207.0	290.2	477.6	647.6	922.6	1,406.7	1,957.9
EBITDA		(366.7)	(327.1)	(377.9)	(1,136.7)	(1,609.4)	(1,995.5)	(1,816.0)	(1,432.6)
Normalised operating profit		(679.4)	(714.3)	(790.7)	(1,725.6)	(2,296.8)	(2,759.0)	(2,775.8)	(2,581.6)
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)	(2,759.0)	(2,775.8)	(2,581.6)
Net Interest		(35.2)	5.7	(9.9)	9.7	4.2	2.0	1.0	0.0
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)	(2,757.0)	(2,774.8)	(2,581.6)
Profit Before Tax (reported)		(714.6)	(892.8)	(857.1)	(1,812.8)	(2,292.6)	(2,757.0)	(2,774.8)	(2,581.6)
Reported tax		137.7	134.1	121.0	453.3	409.4	413.6	416.2	387.2
Profit After Tax (norm)		(576.9)	(602.1)	(687.6)	(1,286.9)	(1,883.2)	(2,343.5)	(2,358.6)	(2,194.3)
Profit After Tax (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)	(1,883.2)	(2,343.5)	(2,358.6)	(2,194.3)
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)	(2,343.5)	(2,358.6)	(2,194.3)
Net income (reported)		(576.9)	(758.7)	(736.0)	(1,359.6)	(1,883.2)	(2,343.5)	(2,358.6)	(2,194.3)
Basic average number of shares outstanding (m)		0	1	10	10	10	13	14	14
EPS - normalised (p)		N/A	N/A	(6.61)	(12.38)	(18.12)	(18.38)	(17.42)	(16.21)
EPS - normalised fully diluted (p)		N/A	N/A	(6.61)	(12.38)	(18.12)	(18.38)	(17.42)	(16.21)
EPS - basic reported (p)		(296.36)	(144.92)	(7.08)	(13.08)	(18.12)	(18.38)	(17.42)	(16.21)
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	42.5	52.5	39.2
EBITDA Margin (%)		-305.7	-158.0	-130.2	-238.0	-248.5	-216.3	-129.1	-73.2
Normalised Operating Margin		-566.3	-345.0	-272.5	-361.3	-354.7	-299.1	-197.3	-131.8
BALANCE SHEET									
Fixed Assets		815.7	805.2	799.7	1,178.8	1,812.1	2,464.9	2,921.4	3,188.8
Intangible Assets		808.6	795.7	793.3	1,134.5	1,731.9	2,358.4	2,788.5	3,029.6
Tangible Assets		7.2	9.5	6.4	44.3	80.2	106.5	132.9	159.2
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	3,161.3	829.8	(1,048.9)
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	666.3	801.6	923.7
Cash & cash equivalents		32.2	50.6	273.5	3,572.8	1,023.8	2,494.9	28.1	(1,972.6)
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)	(1,376.0)	(1,859.6)	(2,413.6)
Creditors		(235.2)	(294.2)	(365.0)	(648.5)	(857.7)	(1,376.0)	(1,859.6)	(2,413.6)
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	0.0	0.0
Long term borrowings		(789.0)	(323.7)	0.0	0.0	0.0	0.0	0.0	0.0
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	4,250.2	1,891.6	(273.8)
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	4,250.2	1,891.6	(273.8)
CASH FLOW									
Op Cash Flow before WC and tax		(366.7)	(327.1)	(377.9)	(1,136.7)	(1,609.4)	(1,995.5)	(1,816.0)	(1,432.6)
Working capital		66.3	3.8	120.7	226.8	85.5	480.1	351.0	432.0
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	409.4	413.6	416.2
Net operating cash flow		(190.6)	(274.9)	(122.6)	(789.4)	(1,232.5)	(1,106.0)	(1,051.5)	(584.4)
Capex		(412.8)	(376.7)	(407.3)	(968.0)	(1,320.6)	(1,416.3)	(1,416.3)	(1,416.3)
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	2.0	1.0	0.0
Equity financing		0.0	639.3	762.8	5,047.1	0.0	3,991.5	0.0	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)	1,471.2	(2,466.8)	(2,000.7)
Opening net (cash)/debt		118.3	756.9	273.1	(273.5)	(3,572.8)	(1,023.8)	(2,494.9)	(28.1)
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	(0.1)	0.0	0.0
Closing net (cash)/debt		756.9	273.1	(273.5)	(3,572.8)	(1,023.8)	(2,494.9)	(28.1)	1,972.6

Source: Osirium, Edison Investment Research

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