

# Osirium Technologies

Contract wins

## Improving bookings outlook

Osirium's update on trading year to date confirms that it is seeing a return to pre-COVID levels of ordering. Nine new customers so far in Q1 at higher average contract values than a year ago mean that order intake is ahead of this period a year ago. We have upgraded our bookings and revenue forecasts for FY22 and incorporate the recent conditional £1m fund-raise.

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	3.3
12/20	1.43	(1.36)	(12.9)	0.0	N/A	2.7
12/21e	1.44	(1.67)	(11.4)	0.0	N/A	2.7
12/22e	1.73	(1.51)	(6.9)	0.0	N/A	2.3

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

## Positive order momentum year to date

Osirium has announced that it has signed nine new customers so far this year, with four of the contracts of greater value than any deal signed in FY21. Osirium signed its largest ever number of new customers in FY21, benefiting from adoption of its secure back-up solution by a number of NHS trusts. This year's new customers have signed up on higher average contract values, back to pre-COVID levels, with overall bookings ahead of this period a year ago. The company sees further opportunities in the NHS, both for new contracts and expansion of existing agreements, as well as good prospects in the higher education, retail and financial services sectors.

## Upgrading order forecasts

We have revised our forecasts to reflect a more positive order outlook for FY22. We have increased our growth forecast for orders from 28% to 50%, noting that £1.5m worth of contracts are due for renewal this year. Our revenue forecast for FY22 increases 5%, reflecting the fact that bookings are typically for multi-year contracts, and the EBITDA loss reduces from £1.60m to £1.51m. We have also reflected the recent £1m fund-raise, assuming shareholders approve the issue of the remaining 69% of the placing at the general meeting on 7 March. Our end-FY22 net debt forecast reduces from £5.6m to £4.3m. The company indicated when the placing was announced that it intends another raise in H222.

## Valuation: Bookings growth the key trigger

At 2.3x FY22e sales, Osirium is trading at a discount to peers on an EV/sales basis (the UK software sector is trading at 4.5x current year and 3.6x next year sales). Key to closing this gap will be evidence of sustained bookings momentum translating to revenue growth and progress towards break-even.

## Software & comp services

3 March 2022

**Price** 5.25p

**Market cap** £2m

Net debt (£m) at end H121 0.9

Shares in issue\* 34.6m

\*Excludes 11.5m subject to shareholder approval at general meeting on 7 March

Free float 78%

Code OSI

Primary exchange AIM

Secondary exchange N/A

## Share price performance



% 1m 3m 12m

Abs (52.3) (68.2) (78.1)

Rel (local) (50.9) (68.7) (80.1)

52-week high/low 31p 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

FY21 results April 2022

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## Changes to forecasts

**Exhibit 1: Changes to forecasts**

£'000s	FY21e				FY22e			
	Old	New	Change	y-o-y	Old	New	Change	y-o-y
<b>Bookings</b>	1,568.7	1,568.7	0.0%	0.0%	2,007.9	2,353.0	17.2%	50.0%
<b>Revenues</b>	1,437.3	1,437.3	0.0%	0.2%	1,644.7	1,734.3	5.4%	20.7%
<b>EBITDA</b>	(1,668.1)	(1,668.1)	0.0%	22.3%	(1,604.4)	(1,514.8)	(5.6%)	(9.2%)
EBITDA margin	-116.1%	-116.1%	0.0%		-97.6%	-87.3%	(10.5%)	
Normalised operating profit	(3,293.9)	(3,293.9)	0.0%	14.7%	(3,390.7)	(3,301.1)	(2.6%)	0.2%
Normalised operating margin	-229.2%	-229.2%	0.0%		-206.2%	-190.3%	15.8%	
Reported operating profit	(3,293.9)	(3,293.9)	0.0%	14.7%	(3,390.7)	(3,301.1)	(2.6%)	0.2%
Reported operating margin	-229.2%	-229.2%	0.0%		-206.2%	-190.3%	15.8%	
Normalised PBT	(3,504.4)	(3,504.4)	0.0%	13.2%	(3,601.2)	(3,511.6)	(2.5%)	0.2%
Reported PBT	(3,504.4)	(3,504.4)	0.0%	13.2%	(3,601.2)	(3,511.6)	(2.5%)	0.2%
Normalised net income	(2,978.7)	(2,978.7)	0.0%	18.9%	(3,061.0)	(2,984.8)	(2.5%)	0.2%
Reported net income	(2,978.7)	(2,978.7)	0.0%	18.9%	(3,061.0)	(2,984.8)	(2.5%)	0.2%
Normalised basic EPS (p)	(11.43)	(11.43)	0.0%	(11.1%)	(10.43)	(6.90)	(33.8%)	(39.6%)
Normalised diluted EPS (p)	(11.43)	(11.43)	0.0%	(11.1%)	(10.43)	(6.90)	(33.8%)	(39.6%)
Reported basic EPS (p)	(11.43)	(11.43)	0.0%	(11.1%)	(10.43)	(6.90)	(33.8%)	(39.6%)
<b>Gross cash</b>	205.0	205.0	0.0%		319.2	628.8	97.0%	
<b>Net debt/(cash)</b>	2,500.3	2,500.3	0.0%	145.0%	5,588.7	4,279.1	(23.4%)	71.1%

Source: Edison Investment Research

**Exhibit 2: Financial summary**

	£'000s	2016	2017	2018	2019	2020	2021e	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	1,437.3	1,734.3
EBITDA		(1,136.7)	(1,609.4)	(1,767.3)	(2,152.1)	(1,363.5)	(1,668.1)	(1,514.8)
Normalised operating profit		(1,725.6)	(2,296.8)	(2,674.8)	(3,399.7)	(2,872.4)	(3,293.9)	(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)	(3,293.9)	(3,301.1)
Net Interest		9.7	4.2	(0.6)	(52.2)	(222.3)	(210.5)	(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)	(3,504.4)	(3,511.6)
Profit Before Tax (reported)		(1,812.8)	(2,292.6)	(2,675.4)	(3,451.9)	(3,094.7)	(3,504.4)	(3,511.6)
Reported tax		453.3	409.4	407.6	622.5	590.2	525.7	526.7
Profit After Tax (norm)		(1,286.9)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,978.7)	(2,984.8)
Profit After Tax (reported)		(1,359.6)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,978.7)	(2,984.8)
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)	(2,978.7)	(2,984.8)
Net income (reported)		(1,359.6)	(1,883.2)	(2,267.8)	(2,829.4)	(2,504.5)	(2,978.7)	(2,984.8)
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)	(11.43)	(6.90)
EPS - normalised fully diluted (p)		(12.38)	(18.12)	(18.14)	(19.45)	(12.85)	(11.43)	(6.90)
EPS - basic reported (p)		(13.08)	(18.12)	(18.14)	(19.45)	(12.85)	(11.43)	(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	0.2	20.7
EBITDA Margin (%)		-238.0	-248.5	-184.6	-183.7	-95.0	-116.1	-87.3
Normalised Operating Margin		-361.3	-354.7	-279.4	-290.2	-200.2	-229.2	-190.3
<b>BALANCE SHEET</b>								
Fixed Assets		1,178.8	1,812.1	2,360.2	3,124.4	3,487.3	3,967.4	4,326.9
Intangible Assets		1,134.5	1,731.9	2,307.2	2,936.5	3,335.5	3,808.3	4,180.5
Tangible Assets		44.3	80.2	52.9	187.9	151.9	159.1	146.4
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	1,150.9	1,647.8
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	945.8	1,019.1
Cash & cash equivalents		3,572.8	1,023.8	2,386.6	3,854.9	1,482.4	205.0	628.8
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)	(2,314.4)	(2,963.2)
Creditors		(648.5)	(857.7)	(1,170.3)	(1,889.1)	(2,088.7)	(2,284.4)	(2,933.2)
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)	(30.0)	(30.0)
Long Term Liabilities		0.0	0.0	0.0	(2,422.4)	(2,518.6)	(2,731.1)	(4,923.6)
Long term borrowings		0.0	0.0	0.0	(2,345.4)	(2,502.9)	(2,705.4)	(4,907.9)
Other long-term liabilities		0.0	0.0	0.0	(77.0)	(15.8)	(25.8)	(15.8)
Net Assets		4,483.9	2,600.8	4,324.5	3,616.3	1,125.8	72.8	(1,912.1)
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	72.8	(1,912.1)
<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)	(1,668.1)	(1,514.8)
Working capital		226.8	85.5	187.2	633.7	396.5	68.3	575.5
Exceptional & other		0.0	0.0	0.0	0.0	14.0	0.0	0.0
Tax		120.4	291.4	407.6	473.3	557.3	525.7	526.7
Net operating cash flow		(789.4)	(1,232.5)	(1,172.5)	(1,045.1)	(395.7)	(1,074.1)	(412.5)
Capex		(968.0)	(1,320.6)	(1,455.7)	(1,852.8)	(1,875.1)	(2,065.9)	(2,125.8)
Acquisitions/disposals		0.0	0.0	0.0	0.4	3.3	0.0	0.0
Net interest		9.7	4.2	(0.6)	0.0	(56.5)	(8.0)	(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)	(55.0)	(30.0)
Net Cash Flow		3,299.3	(2,549.0)	1,362.8	(1,231.7)	(2,372.5)	(1,277.3)	(1,576.3)
Opening net (cash)/debt		(273.5)	(3,572.8)	(1,023.8)	(2,386.6)	(1,509.5)	1,020.5	2,500.3
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)	(202.5)	(202.5)
Closing net (cash)/debt		(3,572.8)	(1,023.8)	(2,386.6)	(1,509.5)	1,020.5	2,500.3	4,279.1

Source: Osirium, Edison Investment Research

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