

# **INTERIM**

# **RESULTS**

**18 SEPTEMBER 2019**

 **SIRIUM**

18 September 2019

**Osirium Technologies plc**  
("Osirium" or "the Group")

**Half Year Report**

Osirium Technologies plc (AIM: OSI.L), a leading provider of cloud-based Privileged Access Security solutions, today announced its interim results for the six months ended 30 June 2019.

**Financial Highlights:**

- Total bookings, our KPI, increased 69% to £1.03m (H1 2018: £0.61m), demonstrating accelerating traction
- Total revenue increased 11% to £0.52m (H1 2018: £0.47m), with deferred revenue increasing 70% to £1.24m (H1 2018: £0.73m), providing good visibility into future periods
- Operating loss of £1.71m (H1 2018: loss of £1.36m), in line with management expectations and following significant investment in R&D and sales & marketing to support future growth
- Cash and cash equivalents as at 30 June 2019 of £0.89 million (H1 2018: £3.34 million). The cash balance as at 30 June 2019 excludes the 2018 Research and Development tax credit of £0.47 million, which has been received post period end.

**Operating Highlights:**

- Strong sales momentum with new customers added across a variety of sectors, combined with 100% customer retention in the period
- Strengthening of management team with highly experienced hires from key competitors
- Ongoing product innovation with launch of Opus in May, our Privileged Process Automation solution, and PEM, our Privileged Endpoint Management solution due for launch in Q4, expanding our addressable market and broadening our portfolio to three complementary product offerings
- Growing evidence of land and expand strategy as exemplified by our largest customer who has:
  - Expanded license for PxM from 3,000 to 4,500 devices; and
  - Signed Opus contract 3 months after launch
- Significant market opportunity with growing awareness amongst target corporate audience

**David Guyatt, Chief Executive Officer**, commented: *"The Group has made significant progress against its scale-up strategy during the first half of the year, with growing traction for its specialist Privileged Access Security solutions as evidenced by a 69% increase in bookings during the period.*

*"The second half of the year has begun well, with strong trading momentum and a growing pipeline of new and existing customers. The market awareness for Privileged Access Security in the UK continues to gain pace and the reputation of our purpose-built, differentiated offering is growing. We have the right people and strategy in place for sustained further growth, evidenced by new customer wins, high retention levels and additional product offerings enhancing our opportunity. This provides the Board with confidence as we look to the remainder of the year and beyond."*

– Ends –

**For further information:**

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**Notes to Editors:**

**About Osirium**

Osirium Technologies plc (AIM: OSI) operates in one of the fastest growing parts of the cybersecurity market and is a leading vendor of Privileged Access Security solutions. Osirium's cloud-based products protect critical IT assets, infrastructure and devices by preventing targeted cyber-attacks from directly accessing Privileged Accounts, removing unnecessary access and powers of Privileged Account users, deterring legitimate Privileged Account users from abusing their roles and containing the effects of a breach if one does happen.

Osirium has defined and delivered what the Directors view as the next generation Privileged Access Management solution. Osirium's Privileged award-winning Task Management module further strengthens Privileged Account Security by minimising the cyber-attack surface and delivering an impressive return on investment benefits for customers. Building on Osirium's Privileged Task Management module, in May 2019 Osirium launched Opus, providing a highly-flexible platform for automating essential IT processes to set a new benchmark in Privileged Process Automation.

Founded in 2008 and with its headquarters in Reading, UK, the Group was admitted to AIM in April 2016. For further information please visit [www.osirium.com](http://www.osirium.com).

## **Chief Executive's Review**

### **Introduction**

Momentum in the business has continued through the first half of 2019, with bookings increasing by 69% year-on-year to £1.03m (H1 2018: £0.61m). Revenues have increased by 11% to £0.52m (H1 2018: £0.47m) leading to a deferred revenue increase of 70% to £1.24m (H1 2018: £0.73m), of which £0.46m is expected to be released during the remainder of the year. This provides a good level of visibility for future periods. The Board is comfortable that year-end bookings will be in line with market expectations.

As well as delivering outstanding retention rates through a number of renewals and extensions of existing customers, we have also continued to add new customers across a variety of sectors. The ever increasing need for managing Privileged Access and Osirium's growing reputation are helping to build a stronger pipeline of opportunities and we have hired key individuals with a deep understanding of the market place in order to maximise this opportunity.

Privileged Access Management (PAM), the cornerstone of Osirium's Privileged Access Security portfolio, addresses a threat involved in 80% of cybersecurity breaches. PAM solutions tightly control and monitor access by users with elevated 'privileges' to an enterprise's most valuable IT assets in order to minimise the risk of security breaches.

The ease and speed of implementation of Osirium solutions continues to set us apart from the competition, a reflection of the fact that our solutions have been designed and built solely with Privileged Access in mind. This is a key reason why our conversion rates from Proof of Concept ("POC") to sale continue to be around the 80% mark. Similarly our task automation functionality remains a key differentiator, further reducing risks associated with Privileged Access but also taking routine tasks away from highly skilled IT operatives, enabling them to concentrate on more complex issues and providing a clear return on investment for customers.

Our task automation capabilities have been significantly enhanced through the launch in May of our Opus Privileged Process Automation solution. Opus takes Osirium to a wider range of functions within our existing customer base as well as expanding the addressable market of potential new customers. These immediately identified new function areas include Helpdesk and IT Service Management, where Opus demonstrates up to 95% time and cost savings, with potential further applications in areas such as DevOps, NetOps and IoT environments. It was particularly pleasing to be able to announce the first customer for Opus post the period end, so soon after launch, and with an existing customer of the full PxM platform.

### **Results**

Bookings were up 69% to £1.03m for the six months to 30 June 2019 from £0.61m for the same period in 2018. Revenue was £0.52m compared with £0.47m in the same period of 2018.

Deferred revenue increased to £1.24m from £0.73m as at 30 June 2018, giving greater visibility of future revenues.

Osirium's loss before tax for the six months to 30 June 2019 was £1.71m (H1 2018: loss of £1.36m), in line with management expectations and a direct result of the continued investment in R&D and sales & marketing. The largest element of the cost base is increasing headcount to support future growth.

Cash and cash equivalents as at 30 June 2019 were £0.89m (H1 2018: £3.34m). The cash balance as at 30 June 2019 excludes the 2018 Research and Development tax credit of £0.47m, which has been received post period end.

The Group continued to increase its investment in research and development during the period, with £0.87m capitalised in the six month period to 30 June 2019 (six month period to 30 June 2018: £0.59m), an increase of 48%. This comprises both consistent investment, focused on refining and further developing our next generation PAM, Opus and PEM propositions, and also one off costs paid to our third party partner for their role in developing the Osirium PEM product. This element of the costs will not be repeated in the second half. On a like-for-like basis, the increase on the internal R&D spend is 25% within the period.

## **The Market**

The validation of the issues associated with Privileged Access throughout 2018 have undoubtedly led to a greater awareness of the need for specific solutions. The November 2018 Forrester Wave report estimated that 80% of security breaches involve the misuse of privileged credentials. It has been underlined by further high profile incidents where inadequately prepared organisations have been breached and incurred severe resulting punishments from authorities.

At the same time, the wave of consolidation that has taken place in the PAM market underpins the commercial opportunity available and demonstrates the increasing importance of PAM in organisations' investment decisions. Whereas other cybersecurity market sectors (e.g. Identity Access Management, Firewalls) have matured and are now characterised by slowing growth and wide availability of similar offerings, we consistently find over 90% of qualified new prospect leads to be 'greenfield' opportunities.

This consolidation creates further opportunities for Osirium. With some competitors distracted by the effects of major acquisitions and reorganisation, we have been able to attract some key individuals with a deep understanding of our markets into important roles and we are already seeing the benefits of their experience and reach. In sales, product marketing and customer services, we now have individuals with strong track records in the market, who understand the key differentiators that Osirium brings and who can bring that understanding to an increasingly engaged audience. They also have a clear concept of our target markets, being mid and upper-mid tier organisations as well as departments of large enterprises. For this profile of customer, the IT infrastructure is suitably complex to need our solutions, and our automation capabilities can make a significant difference. This has already resulted in an improved quality of opportunities in our pipeline, including well-scoped Proof of Concepts and, ultimately, sales.

Osirium is ideally placed to benefit as its solutions have been designed from the outset to specifically address the dangers created by Privileged Access. Unlike our main competitors, our 'next generation' products have been built from the ground up and are not modifications of acquired solutions designed to address other needs, and nor are they all encompassing security solutions. The real benefit we

consistently hear expressed by customers and partners is that Osirium solutions are uniquely fast and simple to implement.

### **Product Development**

Based on our understanding of customer requirements, a strategic development in this period has been the move to become a provider of three complementary solutions within Privileged Access Security, rather than a point solution. As well as maintaining our focus on PAM, we have added our Opus Privileged Process Automation solution and secured our first order.

With our new Privileged Endpoint Management tool scheduled for launch in Q4 of this year, Osirium will be even better placed to land additional customers and expand revenues within our growing customer base.

### **Outlook**

The Group has made significant progress against its scale-up strategy during the first half of the year, with growing traction for its specialist security solutions as evidenced by a 69% increase in bookings during the period. Our commitment to ongoing innovation and product development saw the addition of new solutions to our portfolio, further enhancing our addressable market as we progress forward. The Board continues to balance the need for careful cost control with its desire to invest further to fully capitalise on the growing market opportunity.

The second half of the year has begun well, with strong trading momentum and a growing pipeline. The market opportunity for Privileged Access Security has never been greater and we are seeing the UK market gaining pace in adoption of this framework for cybersecurity protection which has historically lagged widespread use in the US. We have put in place the right people and infrastructure, and the reputation of our market-leading and differentiated offering is growing. As a result, the Board is confident in the Group's prospects for the remainder of the year and beyond.

As highlighted in our annual report, it remains the Board's intention to strengthen the company's balance sheet in 2019 and support our continued growth. The Board anticipates a fundraise within existing share authorities. Furthermore, Osirium qualifies as a knowledge-intensive company and is in receipt of advance assurance for both EIS and VCT funding.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	6 months to 30-Jun-19 (Unaudited) £	6 months to 30-Jun-18 (Unaudited) £	Year to 31-Dec-18 (Audited) £
<b>CONTINUING OPERATIONS</b>			
Revenue	515,450	466,333	957,461
Other operating income	-	-	6,300
Administrative expenses	<u>(2,225,090)</u>	<u>(1,830,064)</u>	<u>(3,638,561)</u>
<b>OPERATING LOSS</b>	<b>(1,709,640)</b>	<b>(1,363,731)</b>	<b>(2,674,800)</b>
Finance costs	(367)	(280)	(1,125)
Finance income	<u>15</u>	<u>848</u>	<u>551</u>
<b>LOSS BEFORE TAX</b>	<b>(1,709,992)</b>	<b>(1,363,163)</b>	<b>(2,675,374)</b>
Income tax credit	<u>334,262</u>	<u>205,000</u>	<u>407,606</u>
<b>LOSS FOR THE PERIOD ATTRIBUTABLE TO THE OWNERS OF OSIRIUM TECHNOLOGIES PLC</b>	<b><u>(1,375,730)</u></b>	<b><u>(1,158,163)</u></b>	<b><u>(2,267,768)</u></b>
<b>Loss per share from continuing operations:</b>			
Basic and diluted loss per share	10p	9p	17p

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	30-Jun-19 (Unaudited) £	30-Jun-18 (Unaudited) £	31-Dec-18 (Audited) £
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Intangible assets	2,691,314	1,967,522	2,307,235
Property, plant & equipment	<u>81,673</u>	<u>71,080</u>	<u>52,920</u>
<b>CURRENT ASSETS</b>			
Trade and other receivables	1,152,232	1,186,613	748,011
Cash and cash equivalents	<u>889,600</u>	<u>3,337,242</u>	<u>2,386,624</u>
	<u>2,041,832</u>	<u>4,523,855</u>	<u>3,134,635</u>
<b>TOTAL ASSETS</b>	<u><u>4,814,819</u></u>	<u><u>6,562,457</u></u>	<u><u>5,494,790</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	<u>1,866,065</u>	<u>1,128,369</u>	<u>1,170,306</u>
	<u>1,866,065</u>	<u>1,128,369</u>	<u>1,170,306</u>
<b>TOTAL LIABILITIES</b>	<u><u>1,866,065</u></u>	<u><u>1,128,369</u></u>	<u><u>1,170,306</u></u>
<b>EQUITY</b>			
<b>SHAREHOLDERS EQUITY</b>			
Called up share capital	135,542	135,542	135,542
Share premium	8,968,554	8,968,553	8,968,554
Share option reserve	337,559	337,559	337,559
Merger reserve	4,008,592	4,008,592	4,008,592
Retained earnings	<u>(10,501,493)</u>	<u>(8,016,158)</u>	<u>(9,125,763)</u>
<b>TOTAL EQUITY ATTRIBUTABLE TO THE OWNERS OF OSRIRIUM TECHNOLOGIES PLC</b>	<u>2,948,754</u>	<u>5,434,088</u>	<u>4,324,484</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>4,814,819</u></u>	<u><u>6,562,457</u></u>	<u><u>5,494,790</u></u>



**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
Attributable to the owners of Osirium Technologies plc

	Called up share capital £	Retained earnings £	Share premium £	Merger reserve £	Share option reserve £	Total equity £
<b>Balance at 1 January 2018</b>	103,944	(6,857,995)	5,008,619	4,008,592	337,559	2,600,719
<b>Changes in equity</b>						
Total comprehensive loss	-	(1,158,163)	-	-	-	(1,158,163)
Issue of share capital	31,598	-	4,202,609	-	-	4,234,207
issue costs	-	-	(242,675)	-	-	(242,675)
<b>Balance at 30 June 2018 (unaudited)</b>	<u>135,542</u>	<u>(8,016,158)</u>	<u>8,968,553</u>	<u>4,008,592</u>	<u>337,559</u>	<u>5,434,088</u>
<b>Balance at 1 January 2018</b>	103,944	(6,857,995)	5,008,619	4,008,592	337,559	2,600,719
Total comprehensive loss	-	(2,267,768)	-	-	-	(2,267,768)
Issue of share capital	31,598	-	4,202,609	-	-	4,234,207
Issue costs	-	-	(242,674)	-	-	(242,674)
<b>Balance at 31 December 2018 (audited)</b>	<u>135,542</u>	<u>(9,125,763)</u>	<u>8,968,554</u>	<u>4,008,592</u>	<u>337,559</u>	<u>4,324,484</u>
<b>Balance at 1 January 2019</b>	135,542	(9,125,763)	8,968,554	4,008,592	337,559	4,324,484
<b>Changes in equity</b>						
Total comprehensive loss	-	(1,375,730)	-	-	-	(1,375,730)
Issue costs	-	-	-	-	-	-
<b>Balance at 30 June 2019 (unaudited)</b>	<u>135,542</u>	<u>(10,501,493)</u>	<u>8,968,554</u>	<u>4,008,592</u>	<u>337,559</u>	<u>2,948,754</u>

**CONSOLIDATED STATEMENT OF CASHFLOWS**

	6 months ended 30-Jun-19 (unaudited) £	6 months ended 30-Jun-18 (unaudited) £	Year ended 31-Dec-18 (audited) £
<b>Cashflows from operating activities</b>			
Cash used in operations	(569,568)	(1,078,837)	(1,580,100)
Interest paid	(367)	(280)	(1,125)
Tax received	-	-	407,606
Net cash used in operating activities	<u>(569,935)</u>	<u>(1,079,117)</u>	<u>(1,173,619)</u>
<b>Cash flows from investing activities</b>			
Purchase of intangible fixed assets	(872,670)	(588,794)	(1,439,119)
Purchase of tangible fixed assets	(54,434)	(11,038)	(16,533)
Interest received	15	848	551
Net cash used in investing activities	<u>(927,089)</u>	<u>(598,984)</u>	<u>(1,455,101)</u>
<b>Cashflows from financing activities</b>			
Share issue (net of issue costs)	-	3,991,532	3,991,533
Net cash from financing activities	<u>-</u>	<u>3,991,532</u>	<u>3,991,533</u>
(Decrease)/increase in cash and cash equivalents	(1,497,024)	2,313,431	1,362,813
Cash and cash equivalents at beginning of period	<u>2,386,624</u>	<u>1,023,811</u>	<u>1,023,811</u>
Cash and cash equivalents at end of period	<u><u>889,600</u></u>	<u><u>3,337,242</u></u>	<u><u>2,386,624</u></u>

## **GENERAL INFORMATION**

Osirium Technologies PLC was incorporated on 3 November 2015, and registered and domiciled in England and Wales with its registered office located at One Central Square, Cardiff CF10 1FS.

The principal activity of the Group in the periods under review was that of the development of security software.

## **BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES**

### **Basis of preparation**

The Group financial information is presented in pounds sterling which is the Group's presentational currency and all values are rounded to the nearest whole pound.

The financial information does not comprise statutory accounts within the meaning of section 435 of the Companies Act 2006. The financial information together with the comparative information for the six months ended 30 June 2018 are unaudited with the audited information included for the 12 month period ended 31 December 2018. The audited information received an audit report which was unqualified and did not include a statement under section 498(2) or section 498(3) of the Companies Act 2006.

The financial information was approved by the Board of Directors on 17 September 2019 and authorised for issue on 18 September 2019.

### **Accounting Policies**

The accounting policies used in the preparation of the financial information for the six months ended 30 June 2019 are in accordance with the recognition and measurement criteria of the International Financial Reporting Standards as adopted by the European Union ('IFRS') and are consistent with those which will be adopted in the annual financial statements for year ending 31 December 2019.

These Interim Financial Statements have been prepared in accordance with the accounting policies, methods of computation and presentation adopted in the financial statements for the year ended 31 December 2018.

The Directors have considered all new, revised or amended standards and interpretations which are mandatory for the first time for the financial year ending 31 December 2019, and concluded that none have had any significant impact on these interim financial statements. New, revised or amended standards and interpretations that are not yet effective have not been adopted early.

### **Going concern**

As part of their going concern review the Directors have followed the guidelines published by the Financial Reporting Council entitled "Guidance on the Going Concern Basis of Accounting and Reporting on Solvency and Liquidity Risks (2016)".

The Directors have prepared detailed financial forecasts and cash flows looking beyond 12 months from the date of the Interim Statement. In developing these forecasts the Directors have made assumptions based upon their view of the current and future economic conditions that will prevail over the forecast period.

On the basis of the above projections, the Directors are confident that the Group has sufficient working capital to honour all of its obligations to creditors as and when they fall due. Accordingly, the Directors continue to adopt the going concern basis in preparing the Interim Statement.

### **Intangible Assets**

An internally-generated, development intangible asset arising from Osirium's product development is recognised if, and only if, Osirium can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probably future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Internally-generated development intangible assets are amortised on a straight-line basis over their useful lives. Amortisation commences in the financial year of capitalisation. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Development costs 20% per annum, straight line.

### **Share based payments**

Osirium issues equity-settled share-based payments to certain employees and others under which Osirium receives services as consideration for equity instruments (options) in Osirium. Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted. The fair value determined at the grant date of equity-settled share-based payments is recognised as an expense in Osirium's Statement of Comprehensive Income over the vesting period on a straight-line basis, based on Osirium's estimate of the number of instruments that will eventually vest with a corresponding adjustment to equity. The expected life used in the valuation is adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations.

Non-vesting and market vesting conditions are taken into account when estimating the fair value of the options at grant date. Service and non-market vesting conditions are taken into account by adjusting the number of options expected to vest at each reporting date. When the options are exercised Osirium issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

## INTANGIBLE FIXED ASSETS

	Development Costs £
<b>Cost</b>	
<b>At 1 January 2018</b>	4,480,315
Additions to 30 June 2018	588,797
Cost c/f as at 30 June 2018	<u>5,069,112</u>
<b>At 1 January 2018</b>	4,480,315
Additions to 31 December 2018	1,439,119
Cost c/f as at 31 December 2018	<u>5,919,434</u>
<b>At 1 January 2019</b>	5,919,434
Additions to 30 June 2019	872,670
Cost c/f as at 30 June 2019	<u>6,792,104</u>
<b>Amortisation</b>	
<b>At 1 January 2018</b>	2,748,459
Charge to 30 June 2018	353,131
Amortisation c/f as at 30 June 2018	<u>3,101,590</u>
<b>At 1 January 2018</b>	2,748,459
Charge to 31 December 2018	863,740
Amortisation c/f as at 31 December 2018	<u>3,612,199</u>
<b>At January 2019</b>	3,612,199
Charge to 30 June 2019	488,591
Amortisation as at 30 June 2019	<u>4,100,790</u>
<b>Carrying Amount:</b>	
At 30 June 2018 (unaudited)	<u>1,967,522</u>
At 31 December 2018 (audited)	<u>2,307,235</u>
At 30 June 2019 (unaudited)	<u>2,691,314</u>

All development costs are amortised over their estimated useful lives, which is on average 5 years. Amortisation is charged in full in the financial year of capitalisation.

All amortisation has been charged to the administrative expenses in the statement of comprehensive income and total comprehensive loss.

## RECONCILIATION OF LOSS BEFORE ANY INCOME TAX TO CASH GENERATED FROM OPERATIONS

	6 months ended 30-Jun-19 (unaudited) £	6 months ended 30-Jun-18 (unaudited) £	Year ended 31-Dec-18 (audited) £
Loss before income tax	(1,709,992)	(1,363,163)	(2,675,374)
Depreciation charges	25,681	20,068	43,781
Amortisation charges	488,591	353,131	863,740
Finance costs	367	280	1,125
Finance income	(15)	(848)	(551)
	<u>(1,195,368)</u>	<u>(990,532)</u>	<u>(1,767,279)</u>
(Increase) in trade and other receivables	(69,959)	(358,994)	(125,393)
Increase in trade and other payables	<u>695,759</u>	<u>270,689</u>	<u>312,572</u>
Cash used in operations	<u><u>(569,568)</u></u>	<u><u>(1,078,837)</u></u>	<u><u>(1,580,100)</u></u>

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