

Sophos Group plc
8 February 2018

Trading statement for the nine-month period ended 31 December 2017

Strength in subscription billings driving accelerating revenue growth

Oxford, 8 February 2018. Sophos Group plc (the "Group" / LSE: SOPH), a leading provider of cloud enabled enduser and network security solutions, today issues its trading update for the third-quarter and nine-months ended 31 December 2017.

Financial and operational highlights

- Billings¹ for the nine-month period (year-to-date: "YTD") increased by 21%, or 20% at constant currency ("CC")
 - Continued strong growth in Q3, with billings +19% (+14% CC), as we lapped the anniversary of the launch of Intercept X
 - Subscription billings increased by 25% YTD, with growth of 20% in Q3
 - Sophos Central and Enduser Security remained the principal drivers, with Enduser billings +34% YTD and +27% in Q3
 - Network security billings +12% YTD and +15% in Q3
 - Good growth across all regions, with Americas and EMEA +22%, and APJ +14% YTD
- Further acceleration in revenue with growth of 19% YTD (18% CC), and 23% in Q3 (19% CC)
 - Driven by subscription element of prior-period bookings, with subscription revenue +23% YTD and +27% in Q3
 - Deferred revenue increased by 33% year-over-year to \$687.6 million
- Strong cash flow performance, with net cash flow from operations up by 21% to \$98.2 million and an improvement in unlevered free cash flow² YTD to \$88.2 million, following planned investment in recent new product releases

Financial highlights

	Q3 FY18	Q3 FY17	Growth	9-months FY18	9-months FY17	Growth
GAAP measures	\$M	\$M	%	\$M	\$M	%
Revenue	166.4	134.8	23.4	464.5	391.7	18.6
Operating profit/(loss)	(2.8)	1.7	NM	(26.6)	(22.9)	16.2
Net cash flow from operations	17.5	17.9	(2.2)	98.2	81.2	20.9
Non GAAP measures						
Billings	194.8	164.1	18.7	536.3	443.9	20.8
Cash EBITDA ³	46.7	49.3	(5.3)	113.3	100.2	13.1
Adjusted operating profit ⁴	15.3	16.3	(6.1)	30.4	37.8	(19.6)
Unlevered free cash flow	16.8	18.1	(7.2)	88.2	80.3	9.8

Kris Hagerman, Chief Executive Officer, commented:

"The strong demand for our industry-leading cybersecurity solutions continued in Q3. Customer reaction to XG Firewall v17 has been very positive, and we are delighted to have recently launched a major new release of Intercept X, incorporating for the first time our neural network-based deep learning technology into our leading endpoint product. Consequently, as our business continues to post strong growth the Board is confident both in the outlook for the full-year and the longer-term prospects of the Group."

About

The Sophos Group is a leading global provider of cloud-enabled enduser and network security solutions, offering organisations end-to-end protection against known and unknown IT security threats through products that are easy to install, configure, update and maintain. For further information please visit: www.sophos.com. The Group has over 30 years of experience in enterprise security and has built a portfolio of products that protects over 280,000 organisations and over 100 million endusers in 150 countries, across a variety of industries.

Forward-looking statements

Certain statements in this announcement constitute “forward-looking statements”. These forward-looking statements involve risks, uncertainties and other factors that may cause the Group’s actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance or programmes, or the delivery of products or services under them; structural change in the security industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. The Group undertakes no obligation to update or revise any forward-looking statement to reflect any change in expectations or any change in events, conditions or circumstances.

Contact

Sophos Group plc

Tel: +44 (0) 1235 559 933

Kris Hagerman, Chief Executive Officer

Nick Bray, Chief Financial Officer

Derek Brown, VP Investor Relations

Financial Public Relations

James Macey White / Mat Low

Tulchan Communications

Tel: +44 (0) 20 7353 4200

Conference call and webcast

Sophos management will host a conference call and audio-webcast, for registered participants, at 09:30 (GMT) today. A replay of the audio-webcast will be also accessible via the Sophos investor website following the presentation.

To register for the webcast and access the presentation materials please visit:

<https://investors.sophos.com/events-and-presentations>

Please dial into the conference call 5-10 minutes prior to the start time using the number/conference ID below:

Telephone:

+44 (0) 330 336 9612 (UK) / 0800 279 7204 (toll free)

+1 323 994 2083 (US) / 800 289 0438 (toll free)

Conference call confirmation code: 1711608

Participants are advised to visit the website at least 15 minutes prior to the commencement of the call in order to register and, for those accessing the webcast, in order to download and install any audio software that may be required.

NB: Conference call participants will be able to ask questions during the Q&A session, but those on the webcast will be in a listen-only mode.

1. Billings represents the value of products and services invoiced to customers after receiving a purchase order from the customer and delivering products and services to them, or for which there is no right to a refund. Billings does not equate to statutory revenue.
2. Unlevered free cash flow represents Cash EBITDA less purchases of property, plant and equipment and intangibles, plus cash flows in relation to changes in working capital and taxation.
3. Cash earnings before interest, taxation, depreciation and amortisation (“Cash EBITDA”) is defined as the Group’s operating profit/ (loss) adjusted for depreciation and amortisation charges, any gain or loss on the sale of tangible and intangible assets, share option charges, unrealised foreign exchange differences and exceptional items, with billings replacing recognised revenue.
4. Adjusted operating profit represents the Group’s operating profit / (loss) adjusted for amortisation charges, share option charges and exceptional items.